

ANNUAL REPORT 2020



CONTENTS

The year in summary	3
CEO's comments	4
Digital communication	6
Business concept, goals and strategies	8
IVF-treatment and Vitrolife's product offering	10
Market and sales	12
Sustainable organisation and business	15
Auditor's report	23
Value chain	24
The Vitrolife share	26

FINANCIAL STATEMENTS*

5-year summary	29
Key ratios	30
Management Report	31
Corporate Governance Report	36
Board of Directors	40
Executive Management	41
Income statements	42
Statements of financial position	44
Changes in shareholder's equity	46
Cash-flow statements	47
Notes	48
Auditor's report	61
Key ratios definitions	64
Glossary	66
Shareholder information	66
Addresses	67



**A year characterised by the pandemic,
page 4**



**Customer-related market support a
condition for long-term growth, page 6**



**Focus on long-term value creation,
page 15**

Our history

Vitrolife was established in Sweden in 1994 when the field of assisted reproduction (IVF) was still young. The founders of Vitrolife realised the value of using culture media with consistent and repeatable performance; the manufacturing and delivering of LOT-to-LOT consistency they developed is still significant for Vitrolife today. Through well-executed product development, consistent quality controls and the acquisition of other innovative IVF companies, Vitrolife has grown with the market globally. As a result, Vitrolife provides an unbroken chain of quality products, securing results at every step of IVF treatment. Our commitment to increasing pregnancy rates has never been more dedicated. Together with equally devoted clinics, we are improving IVF success and fulfilling more couples' greatest dream of having a baby. We are very proud to be a part of making this happen.

*This is a translation of the Swedish version of the Annual Report.
When in doubt, the Swedish wording prevails.*

* The Vitrolife Group's formal financial reports are to be found on pages 31-60 and have been reviewed by the Group's auditors.

THE YEAR IN SUMMARY

GOOD PROFITABILITY DESPITE IMPACT OF PANDEMIC

- The pandemic had a substantial impact on the IVF market. The number of IVF treatments in the world greatly decreased in the spring and since then the market has partially recovered. Vitrolife's sales were negatively impacted by reduced demand as a result of fewer IVF treatments being carried out. The pandemic impacted Vitrolife's business, for example in respect of meetings with customers, but the critical processes of production, with the accompanying supply of raw materials, and distribution could be carried out without any major disruptions.
- Sales amounted to SEK 1 246 (1 480) million, corresponding to a decrease of 16% in SEK. Sales decreased by 13% in local currencies.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 454 (587) million, corresponding to a margin of 36% (40). Fluctuations in exchange rates negatively impacted EBITDA by SEK 24 million.
- Income for the year amounted to SEK 288 (384) million, which gave earnings per share of SEK 2.64 (3.53).
- During the year it was decided to consolidate the Technology division's production and product development to the facility in Denmark. The move from Germany is expected to be fully completed in 2021.

After the end of the period

- The Board proposes a dividend of SEK 87 (-) million, corresponding to SEK 0.80 (-) per share.
- Lawsuit received regarding claimed patent infringement with regard to Time-lapse in Germany.

1 246 SEK M

Sales 2020 (1 480)

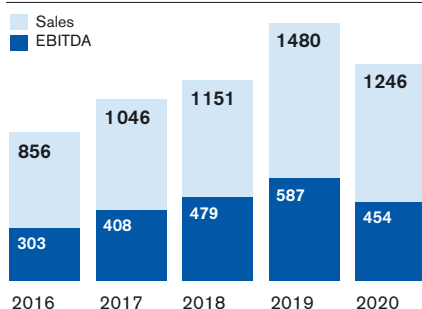
-13%

Sales growth in local currencies 2020 (22%)

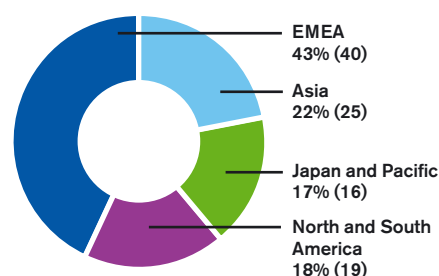
454 SEK M

EBITDA 2020 (587)

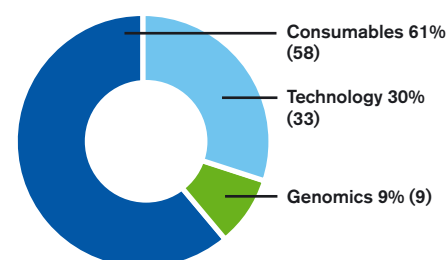
Sales and EBITDA SEK M



Sales per region



Sales per division



Key ratios*

	2020	2019
Net sales, SEK M	1 246	1 480
Net sales growth, local currencies, %	-13	22
Gross margin, %	62	63
Adjusted gross margin, %**	64	66
EBITDA, SEK M	454	587
EBITDA margin, %	36	40
Net income, SEK M	288	384
Net debt / EBITDA	-2.1	-1.2
Earnings per share, SEK***	2.64	3.53
Share price at closing date, SEK	215.80	197.50
Market capitalization at closing date, SEK M	23 425	21 439
Equity per share, SEK	18.54	16.53
Average number of employees (FTE)	405	398

In this Annual Report, unless otherwise stated, the corresponding figures for the preceding year are given in parentheses.

* For definitions, justifications and reconciliations of key ratios, see pages 64-65.

** Excluding amortisation of acquisition-related intangible assets.

*** Before and after dilution.

CEO'S COMMENTS

A YEAR CHARACTERISED BY THE PANDEMIC



"VITROLIFE MANAGED TO RAPIDLY ADAPT ITS BUSINESS TO MEET THE CHANGED CONDITIONS"

IVF market impacted by the pandemic

The pandemic impacted most industries in 2020. The impact was substantial for the IVF market. At the beginning of the year the first reports came regarding the outbreak of a virus in China. Shortly after, the IVF clinics in China, the largest market in the world in terms of the number of treatments, shut down their business to reduce the spread of the virus. At the end of the first quarter a negative impact was evident outside of China as well and at the beginning of the second quarter sales amounted to approximately a third compared with the same period the previous year. From that time on, the global IVF market has been in a recovery phase, with large regional variation. In some countries, for example the US and Australia, more IVF treatments were carried out during the second half of the year than before the pandemic. This was due to the clinics' efforts to meet the pent-up need that was caused by the cancelled treatments during the first half of the year. In other markets, for example South-East Asia and South

America, considerably fewer IVF treatments continue to be carried out than before the pandemic, amongst other things as a result of the spread of the virus, restrictions and a halt in IVF tourism.

Focus on flexibility and adaptation

Vitrolife was early in taking measures and has continued to focus on short-term measures to manage the risks and opportunities associated with the pandemic. At the same time there continued to be great focus on the long-term aims of strengthening the Group's competitiveness, for example by means of product development projects. To reduce risk, routines were introduced to reduce the spread of the virus among the Group's personnel, for example by working from home for those able to carry out their work remotely. Moreover, more stringent follow-up of outstanding receivables was introduced, as the pandemic involved a greater risk that Vitrolife's customers could find themselves in financial difficulties. As regards activities to benefit from

opportunities, a number of digital initiatives have been carried out, amongst other things to provide training and support for the Group's customers. For more information see pages 6-7.

Vitrolife also decided to maintain a high level of service with regard to available products. This meant increased scrap- ping costs as the swings in demand were strong during the year, but also increased sales and customer satisfaction. Regarding the long-term initiatives, product development efforts were kept up in all divisions so as to support long- term competitiveness. The Group did not lay off any per- sonnel in spite of the fact that demand decreased sharply so as to be able to switch to a higher gear when demand returned. To reduce the economic impact of this, Vitrolife applied for and received some government assistance. For a period, the business in Gothenburg produced spare parts for ventilators for another medical device company. The decisions to focus on short-term and long-term opportuni- ties were facilitated by the fact that Vitrolife entered the crisis with a strong balance sheet.

Strong results under the circumstances

Sales during the year amounted to SEK 1,246 (1,480) mil- lion, corresponding to a decrease of 16% in SEK. In local currencies, sales decreased by 13%. Despite the reduced sales and the ensuing negative economies of scale, Vitrolife managed to maintain good profitability. The EBITDA margin amounted to 36% (40) during the year. The margin was positively impacted by lower costs for travel and trade fairs, for example, as physical meetings were replaced by digital meetings. It is still too early to say how this will develop after the pandemic, but in Vitrolife's assessment it is likely that a larger percentage of meetings will be digital after the crisis as well.

During the year of the pandemic employee surveys as well as customer surveys show record-high results regarding commitment in the organisation and customer satisfaction. Vitrolife's ability to adapt to a new situation is made pos- sible by a multifaceted organisation, with equal proportions of women and men globally.

Sustainable development

Vitrolife's work on sustainability aims to strengthen the Group's long-term competitiveness and profitability. During the year the Group increased its efforts in the area, amongst other things by establishing a new position in executive management with responsibility for sustainability and recruiting a sustainability specialist to coordinate Vitrolife's activities and follow-up in the area.

It is also pleasing that Vitrolife obtained Nasdaq ESG Transparency Partner certification in 2020, carried out

life-cycle analysis of EmbryoScope+ and began to follow up CO₂ emissions in accordance with the GHG protocol. These initiatives increase transparency and give important tools for further reducing Vitrolife's impact on the climate.

Outlook

On the basis of current sales levels, the trend during the fourth quarter and the signals that the Group has received from customers, Vitrolife estimates that the first quarter of 2021 will also be negatively impacted by reduced demand as a result of Covid-19. The increased Covid-19 infection rates increase the uncertainty surrounding the recovery. Vitrolife assesses that clinics will give priority to normal operations rather than capital expenditure and thus the recovery with respect to disposable products is expected to continue to go faster than for durable goods. Vitrolife estimates that the great majority of patients now postpon- ing IVF treatments will have these carried out at a later date, which may mean that there will be a pent-up need for IVF treatment after the crisis. Vitrolife estimates that the long- term market outlook is largely unchanged, and the Group therefore anticipates a constantly expanding market, which in monetary terms is expected to grow by 5-10% per year in the foreseeable future.

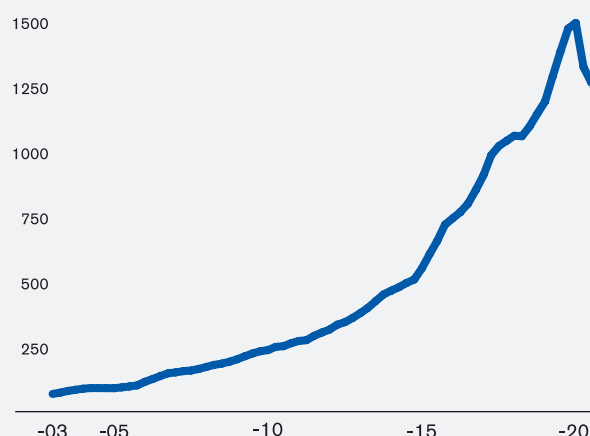
Thank you

I would like to take this opportunity to say a big thank you to all our customers, committed employees and business partners for the work that has resulted in yet another successful year for Vitrolife despite the challenges of the pandemic.

Gothenburg, March 2021

Thomas Axelsson
CEO

Sales rolling 12 months, SEK M. Compound Annual Growth Rate (CAGR) 2003-2020: 18%



DIGITAL COMMUNICATION

CUSTOMER-RELATED MARKET SUPPORT A CONDITION FOR LONG-TERM GROWTH

Reinforcement of digital way of working in the organisation

The Covid-19 pandemic has speeded up digital innovation in many ways. Since the outbreak of the pandemic at the beginning of the year, Vitrolife has focused on securing the health and safety of the Group's employees, giving continuous support to customers and distributors and maintaining the global business in respect of production, product development, distribution and administration.

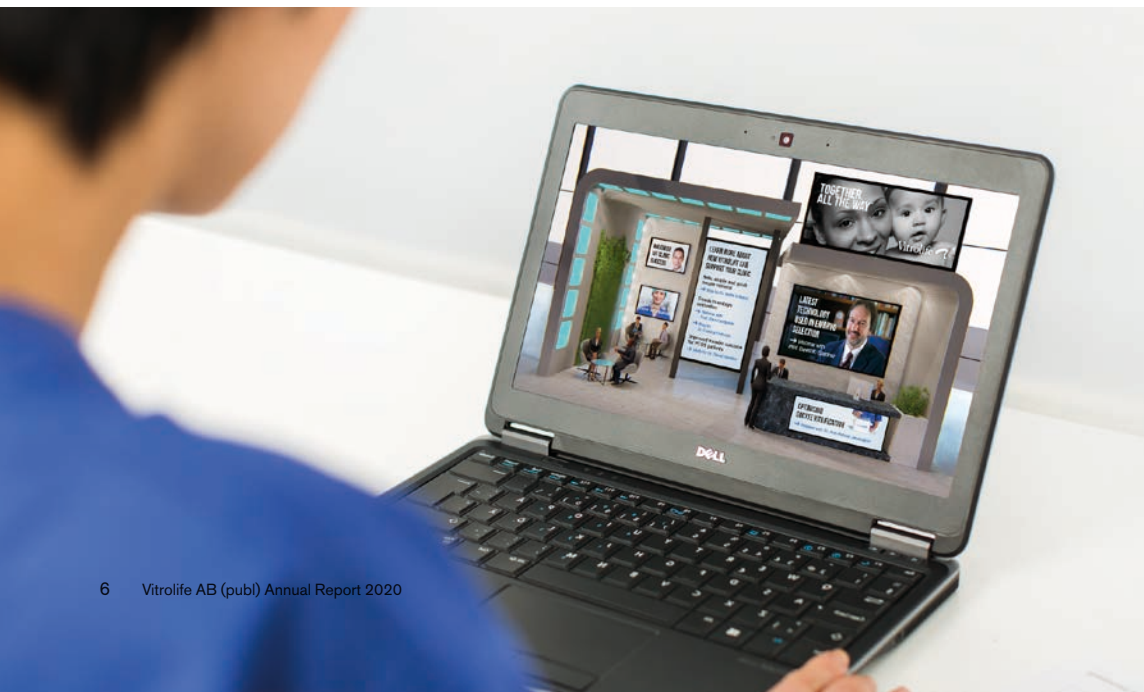
To ensure the health and safety of Vitrolife's employees, the work situation of most of the Group's employees was changed in that they worked remotely wherever possible. For those employees whose work cannot be carried out remotely, primarily within production, quality control, distribution and warehousing, special safety measures were introduced to minimise the risk of infection at work. Thanks to Vitrolife's committed employees, a rapid and successful shift to communication via digital tools was implemented. Contacts with colleagues and managers have been in the shape of regular digital meetings. Furthermore, digital information meetings have been held both at a global and a local level. Digital ways of working will continue to be developed for Vitrolife's employees in the time ahead.

Vitrolife has seen in employee surveys carried out that the precautionary measures taken and the shift to an

increasingly digital way of working has been appreciated by the employees. As a result, willingness to recommend Vitrolife as a workplace increased during the year and employees' commitment has been very high, both among those that have worked from home and those that have worked on Vitrolife's premises. This indicates that the Group was skilful in rapidly adapting the business in a sustainable manner. Read more in the Sustainability Report on pages 15-23.

During the year Vitrolife introduced a flexible digital tool that presents data from the Group's ERP system in an easy way, data which is used for the entire value chain and planning thereof. By means of digital tools and better use of data, Vitrolife has been able to create new planning models for both production and purchasing, thus helping the Group to improve its business controls.

Each year a number of audits are carried out of Vitrolife's facilities in order to maintain certificates from various authorities and notified bodies. Vitrolife also carried out its own audits of suppliers and the like. The pandemic has speeded up acceptance of using digital aids to hold meetings as well as audits. It has thus been possible to carry out these audits as usual during the year through a mixture of physical meetings, where possible, and digital meetings.



A YEAR OF ONLINE CONGRESSES

Vitrolife took part in the first online congress "IVF Worldwide" in April. It had more than 13,000 participants worldwide.

Winning customers' trust in the new digital world

During most of 2020, Covid-19 impacted Vitrolife's physical market support. Vitrolife's aim has been to maintain good contact with the Group's customers as well as good accessibility at the same time as all local restrictions have been followed during the pandemic. A rapid shift to digital tools and digital market communication focusing on relevant educational material has enabled Vitrolife to maintain a close and continuous dialogue with the customers. Clinical support and problem solving have primarily been carried out via digital communication. The rapid and successful shift to digital communication and the carrying out of online trade fairs, congresses, webinars and online education have ensured that Vitrolife has been able to retain customers' trust. Even after the pandemic, Vitrolife will invest in developing digital interaction with the customers.

Digital knowledge solutions

Vitrolife highly values being able to meet customers through personal contact and physical meetings at clinics,

trade fairs and congresses. Vitrolife provides education and training regarding work processes and products. An important part of this is done through Vitrolife Academy, which is Vitrolife's educational concept and contains both physical workshops and support for the clinics. During the year, this work has been adapted to also comprise more webinars and a number of new online courses. Bearing in mind that Vitrolife has a large geographic reach, the work on digital knowledge solutions for customers and distributors is crucial to be able to give full support in all parts of the world.

E-commerce a large step ahead

During 2020 the number of orders placed via Vitrolife's e-commerce platform increased month by month and these now constitute approximately 20% of the total number of orders. Vitrolife continues to focus on developing the e-commerce platform as it creates added value for the Group's customers and also has internal efficiency benefits. Vitrolife's e-commerce platform allows customers to order products and to find product information all day, all year.

DIGITAL INVESTMENTS ARE THE WAY FORWARD

Vitrolife's successful digital investments during the year have been primarily in the areas described below:



DIGITAL COLLABORATION

Vitrolife's committed employees quickly adapted during the pandemic. Digital collaboration tools enabled employees to efficiently carry out much of their work from home. This will continue to be developed in the time ahead.



E-LEARNING

Since the beginning of 2020, Vitrolife has invested in interactive online courses which customers and distributors can access in order to learn more about the Group's products and procedures. Great interest has been shown, with more than 400 registered accounts.



SOCIAL MEDIA

During the year Vitrolife has increased its presence in social media by 36%, from approximately 11,600 followers in November 2019 to approximately 15,900 followers the same month in 2020. LinkedIn and WeChat are the largest and most important communication platforms.



ONLINE TRADE FAIRS

Vitrolife took part in the first online congress and trade fair of its kind within ART. The Group subsequently participated in six online global congresses and several regional and local trade fairs. In all, Vitrolife managed to reach approximately 50,000 digital visitors.



WEBINARS

During the first part of the pandemic Vitrolife was quick to replace personal meetings with webinars and maintain good support in the shape of educational material and lectures by well-known embryologists and gynaecologists. More than 15 global webinars were arranged during 2020, with over 10,000 registered participants.



E-COMMERCE

A growing number of Vitrolife's customers are discovering the advantages of ordering products 24/7 via the Group's e-commerce platform. At present about 20% of all orders come via the digital platform and this figure is constantly increasing.

BUSINESS CONCEPT, GOALS AND STRATEGIES

VITROLIFE'S GOAL SUPPORTS PATIENTS' DESIRE TO HAVE A HEALTHY BABY AND IVF CLINICS' EFFICIENCY REQUIREMENTS

Business concept

Vitrolife's business concept is to develop, produce and market advanced, effective and safe products and systems for assisted reproduction.

Business goal

Vitrolife's goal is to be the leading provider of solutions that reduce the time to achieve a healthy baby and improve workflow efficiency and control for IVF clinics.

Strategy

Vitrolife has identified five strategic focus areas to reach this goal:

- Scalable global organisation and way of working focusing on attractive culture and sustainable capabilities.
- Strong sales and support channels that can offer customised solutions.
- Competitive and complete portfolio with leading support and service offering.
- Innovative research and development as well as efficient manufacturing and efficient processes.
- Take advantage of external growth opportunities such as collaborations and acquisitions.

Vitrolife's growth strategy



* Including Business Unit Media and Business Unit Disposable Devices ** Including Business Unit Time-lapse and Business Unit ART Equipment

Financial objectives

Vitrolife's Board of Directors considers that Vitrolife should have a strong capital base in order to enable continued high growth, both organically and through acquisitions. Vitrolife targets profitable growth. The objective for Vitrolife's growth over a three year period is an increase in sales by an average of 20% per year in local currencies, with an operating margin before depreciation and amortisation (EBITDA) of more than 30%. The Group's net debt in relation to EBITDA should normally not exceed three times.

Achievement of financial objectives

Sales growth

Over the last three years, Vitrolife's sales have grown both organically and through acquisitions by an average of 4% per year in local currencies. The growth during the three-year period was negatively affected by the decline in the IVF market in 2020 as a result of the pandemic.

The target of 20% annual growth is defined as organic and acquired growth measured in local currencies and averaged over a three-year period. Growth thus underperformed the target.

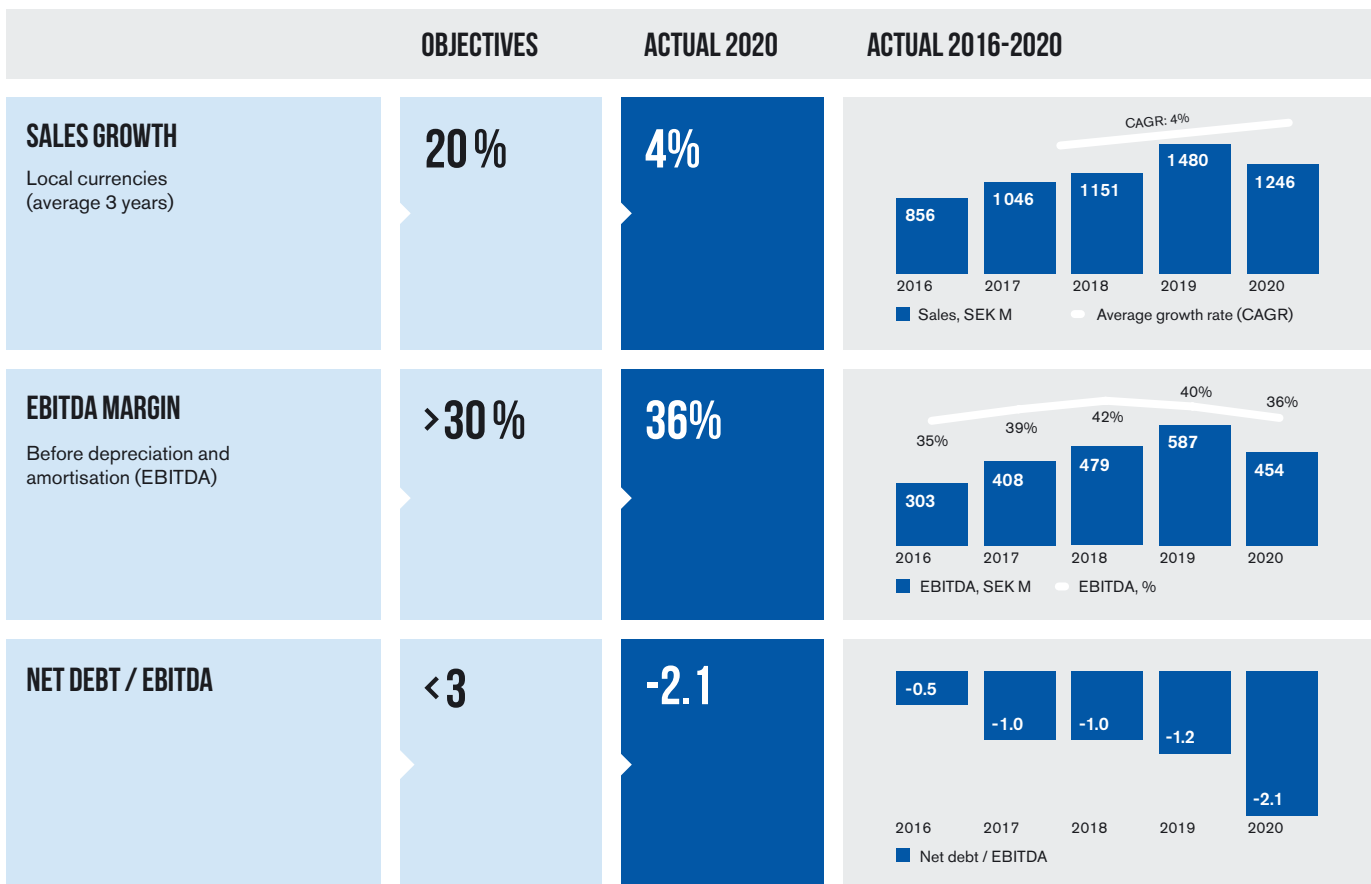
EBITDA margin

In 2020 the operating margin before depreciation and amortisation (EBITDA) amounted to 36%, which means that the margin decreased compared with 2019. The decrease is primarily explained by reduced sales as a result of the pandemic. Vitrolife's objective for the EBITDA margin amounts to more than 30%. The Group thereby reported an operating margin for 2020 that surpassed the objective.

Net debt/EBITDA

In 2020, net debt in relation to EBITDA amounted to a multiple of -2.1 (-1.2), i.e. the company had a net cash position. Vitrolife's strong financial position provides scope for financing future acquisitions.

Financial objectives



IVF TREATMENT AND VITROLIFE'S PRODUCT OFFERING

COMPETITIVE OFFERING IN A GROWING MARKET

Involuntary childlessness

The World Health Organization (WHO) estimates that approximately 10% of all couples of reproductive age have difficulties in having children. This means that more than 100 million couples need some form of infertility treatment. There are several methods to treat involuntary childlessness. In Vitro Fertilisation (IVF), known as the test-tube baby procedure, is the most effective method. However, the treatment is relatively expensive and often stressful. Therefore, other simpler methods such as insemination are often tried prior to IVF.

The IVF process

IVF treatment consists of several different steps: from egg and sperm collection to culture and transfer of embryos, in addition to the cryopreservation of eggs, sperm and embryos. Assessment of embryos' development and selection of which embryos can be transferred to the woman can be done by taking them out of the incubator (culture chamber) and conducting microscopic analysis on a number of occasions during the culture process or by using technology for the monitoring of embryos in the shape of time-lapse. Genetic assessment of embryos can be done by observing the number of chromosomes in the embryos. This is called preimplantation genetic testing for aneuploidies (PGT-A). Which patients' embryos can be subjected to genetic analysis is regulated by legislation in the country where the treatment is carried out.

Any surplus high-quality embryos can be frozen so that they can be thawed and used on a later occasion if the treatment fails to result in pregnancy or if more children

are desired later. The most common method for freezing is called vitrification and is also used for freezing of unfertilised eggs. Even sperm can be frozen for later use.

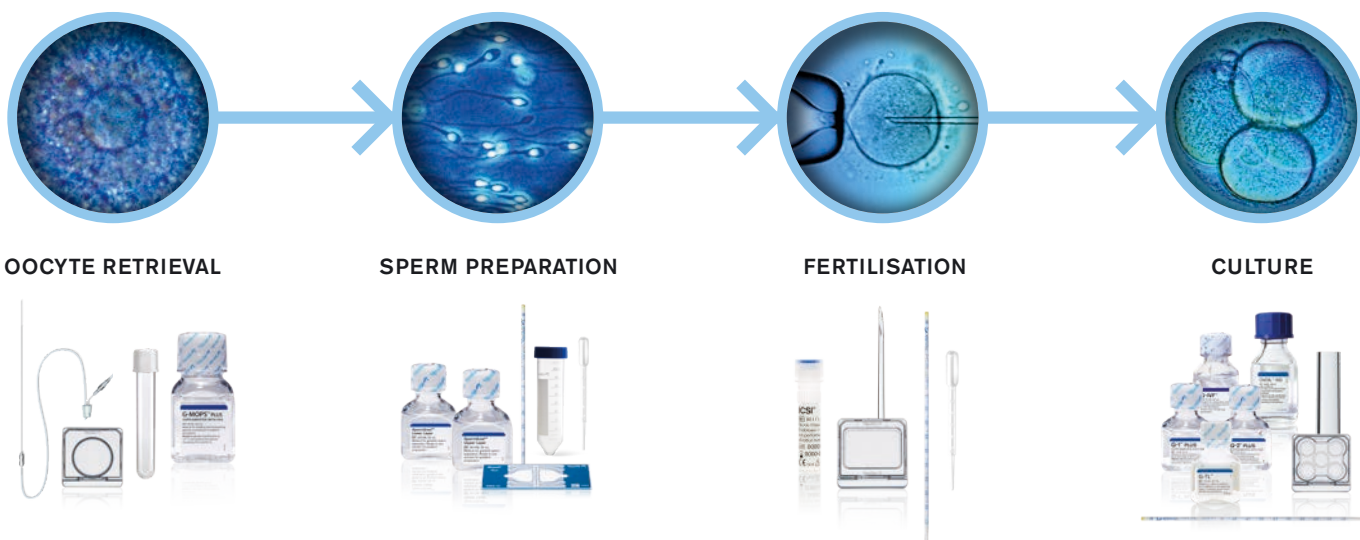
Treatment results

In the middle of the 1980s, pregnancy frequency after IVF treatment was on average approximately 15%, while towards the end of the 1990s the corresponding figure was approximately 25-35%. Certain clinics can now reach 50% or higher.

This can be explained by the fact that the technique has been refined and the composition of the solutions or so-called media used in the process has been developed. Pregnancy frequency largely depends on which groups are treated and how the treatment is performed – age, diagnosis, embryo culture factors and the number of embryos transferred are all crucial for the result of the treatment.

Competitive offering

Vitrolife's product range includes needles for egg retrieval, nutrient solutions, known as media, for handling and culturing of eggs, sperm and embryos, micromanipulation pipettes and disposable plastic products. Vitrolife also offers products for the cryopreservation of sperm, eggs and embryos, all of the highest quality to thereby enable excellent results at clinics. Time-lapse technology is used by IVF clinics worldwide to monitor the development of embryos and to select an embryo to be transferred to the woman. With the time-lapse systems EmbryoScope+, EmbryoScope 8 and EmbryoScope Flex, Vitrolife is the market leader in this area.



Vitrolife also offers microlaser systems, which are primarily used for embryo biopsy, that is to be able to extract embryo cells for subsequent genetic analysis. Since 2019 Vitrolife also offers products for genetic analysis of embryos through a global partnership with Illumina.

2020 – a year of innovative product news and many preparations for launch

EmbryoScope 8 was launched at the beginning of the year and is an important addition to the successful time-lapse technology. EmbryoScope 8 has been specially produced for slightly smaller clinics, as it is able to show time-lapse video from eight patients with up to 16 embryos at the same time. Vitrolife has thus broadened the offering to customers within the time-lapse field and continues to break new ground.

An important component for continued growth in the time-lapse segment is the investment in automatization using artificial intelligence (AI). In 2020 a substantial study was started on iDAScore at Virtus Health in Australia and the software is now being tested at a number of clinics around the world. The clinical results of selecting embryos using this technology are expected to be at least equivalent to selections done by the embryologists. iDAScore has been developed by Vitrolife’s competent AI team in Aarhus and is one of a kind as the AI technology is based on deep learning algorithms. One of the greatest advantages of the new technology is that it takes away all subjectivity, but also considerably improves the efficiency of the workflow, as the end user does not need to spend time on manually looking at images and entering data. It is estimated that iDAScore will be launched in 2021.

Towards the end of 2020 Vitrolife launched a new needle, Sense Double Lumen, which is a further development of the popular Sense Single Lumen needle, and the launch is now underway in a number of countries.

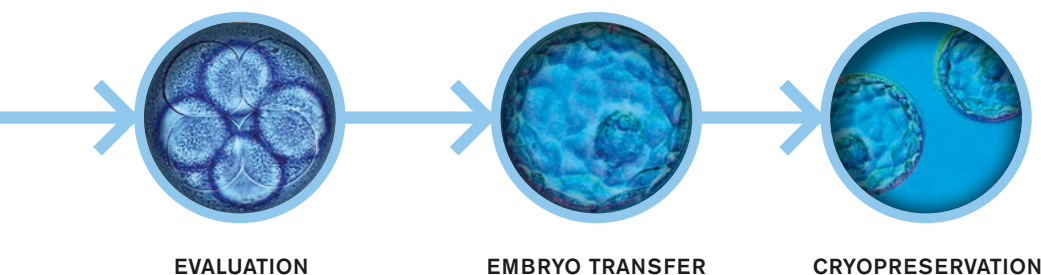


After the summer there has also been great focus on launch preparations for a new oil, Ovoil Heavy, a new sensor in the Log & Guard system and a new test kit in the genetics field. These are planned to be launched in 2021.

Quality, efficiency, service and support

Crucial factors for successful treatment comprise the quality, settings and correct handling of the technical equipment. Any material that the embryo comes into contact with during the procedure could negatively impact results. Therefore, in addition to a quality-assured product line, Vitrolife has a team of experienced embryologists who help customers to set up their processes and flows in an optimal manner.

Vitrolife aims to create long-term and close cooperation with committed customers, which has resulted in success and good treatment results. This cooperation, which is also Vitrolife’s brand promise, is called “Together. All the way”. For Vitrolife the brand promise means a feeling that the Group wants everyone coming into contact with Vitrolife shall experience.



VITROLIFE’S PRODUCT OFFERING COVERS ALL THE STAGES OF THE IVF PROCESS

For more information on Vitrolife’s products, visit the Group’s website at: www.vitrolife.com.



MARKET AND SALES

THE IVF MARKET DECREASED IN 2020 BUT IN THE LONG TERM IS EXPECTED TO GROW BY 5-10% PER YEAR

Market size and growth

Vitrolife's customers comprise private and public clinics, hospitals and laboratories. The world market for assisted reproduction from the perspective of the IVF clinics is estimated to be approximately SEK 100–150 billion.

The cost of the disposable products used in an IVF treatment for which Vitrolife today offers products amounts to approximately SEK 2,000 per treatment cycle for the clinic (excluding the cost of genetic kits). The total cost on average from the clinics of assisted reproduction treatment amounts to approximately SEK 50,000. Prices vary considerably from country to country.

Vitrolife estimates that each year about 2 million IVF-treatments are carried out. The amount of reliable data regarding the number of treatments worldwide is limited and, accordingly, the figures are estimated by Vitrolife on the basis of local market data and official statistics. The clinics' total purchases of disposable products and equipment are estimated to be approximately

SEK 10,000 - 15,000 million, corresponding to approximately 10% of the clinics' sales. On the basis of this market definition, Vitrolife has a global market share of approximately 10%.

The IVF market decreased in 2020 as a result of the pandemic. The long-term growth in the value of the market is estimated to be 5–10% per year, with considerably greater growth in Asia than in Western Europe. Growth is primarily driven by the growing middle class, that parents-to-be choose to try to have children later in life, increased social acceptance of IVF and increased use of technology in IVF treatments.

Vitrolife's sales in 2020

Sales amounted to SEK 1,246 (1,480) million, corresponding to a decrease of 16% in SEK. Sales decreased in local currencies by 13%.

Sales for the EMEA region (Europe, the Middle East and Africa) amounted to SEK 533 (596) million. Sales decreased by 9% in local currencies.

CHALLENGING SITUATION FOR THE IVF CLINICS

Many clinics were forced to close down during the pandemic and freeze embryos and eggs during ongoing IVF treatments.



In the Americas region sales amounted to SEK 226 (284) million. Sales decreased by 17% in local currencies. Sales in the Japan and Pacific region amounted to SEK 214 (240) million. Sales decreased by 8% in local currencies. Sales in the Asian region decreased by 22 percent in local currencies and amounted to SEK 273 (360) million. Sales in all regions were negatively impacted by Covid-19 as a result of reduced demand.

Sales for the Consumables division decreased by 8% in local currencies and amounted to SEK 752 (841) million. Sales for the Technology division decreased by 23% in local currencies and amounted to SEK 363 (489) million. Sales for the Genomics division decreased by 10% in local currencies and amounted to SEK 107 (125) million. Freight revenues amounted to SEK 24 (24) million. Sales for all divisions were negatively impacted by Covid-19 as a result of reduced demand.

Competitors

Vitrolife's main competitors comprise global companies which, like Vitrolife, have broad IVF product ranges. Prominent examples are Cooper Companies, Cook Medical, Kitazato and Irvine Scientific. There are also global competitors who have specialised in limited product groups.

IVF clinics' situation

When the spread of Covid-19 was initially at its greatest, many clinics were forced to close down and freeze embryos and eggs during ongoing IVF treatments. Manning of the clinics was often reduced in connection with this and a loss of revenue was a natural consequence for the clinics.

IN BRIEF

Customers

Private and public clinics, hospitals and laboratories

Number of clinics

>5 000

Payment of treatment

Partly subsidised in most countries in Europe, mainly private in the US and Asia

Number of treatments per year

>2 million

Cost per treatment

Approx. SEK 50,000

Total size of market

Approx. SEK 10–15 billion*

Market share

Approx. 10%*

Largest markets measured by number of treatments

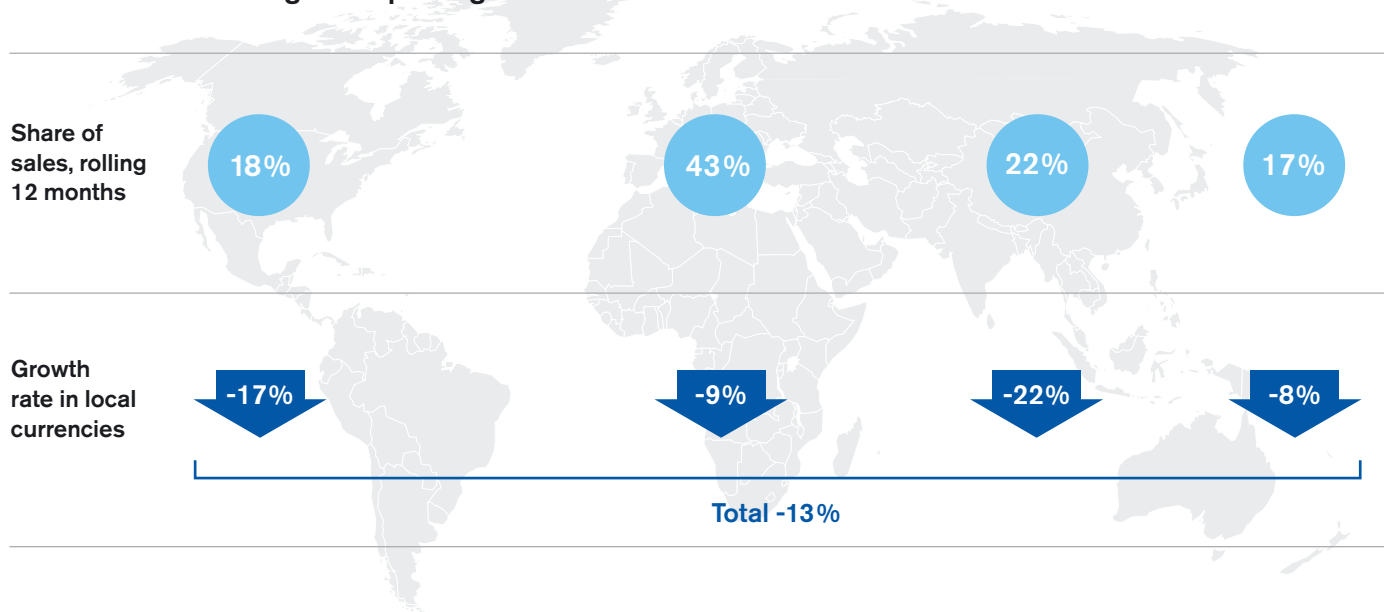
1: China, 2: Japan, 3: USA

*Market defined as IVF clinics' total purchases of single-use products and equipment, including products that Vitrolife does not offer.

When IVF treatments could gradually be resumed, the clinics needed to keep to the restrictions in force in order to minimise the risk of spreading the virus between personnel and patients.

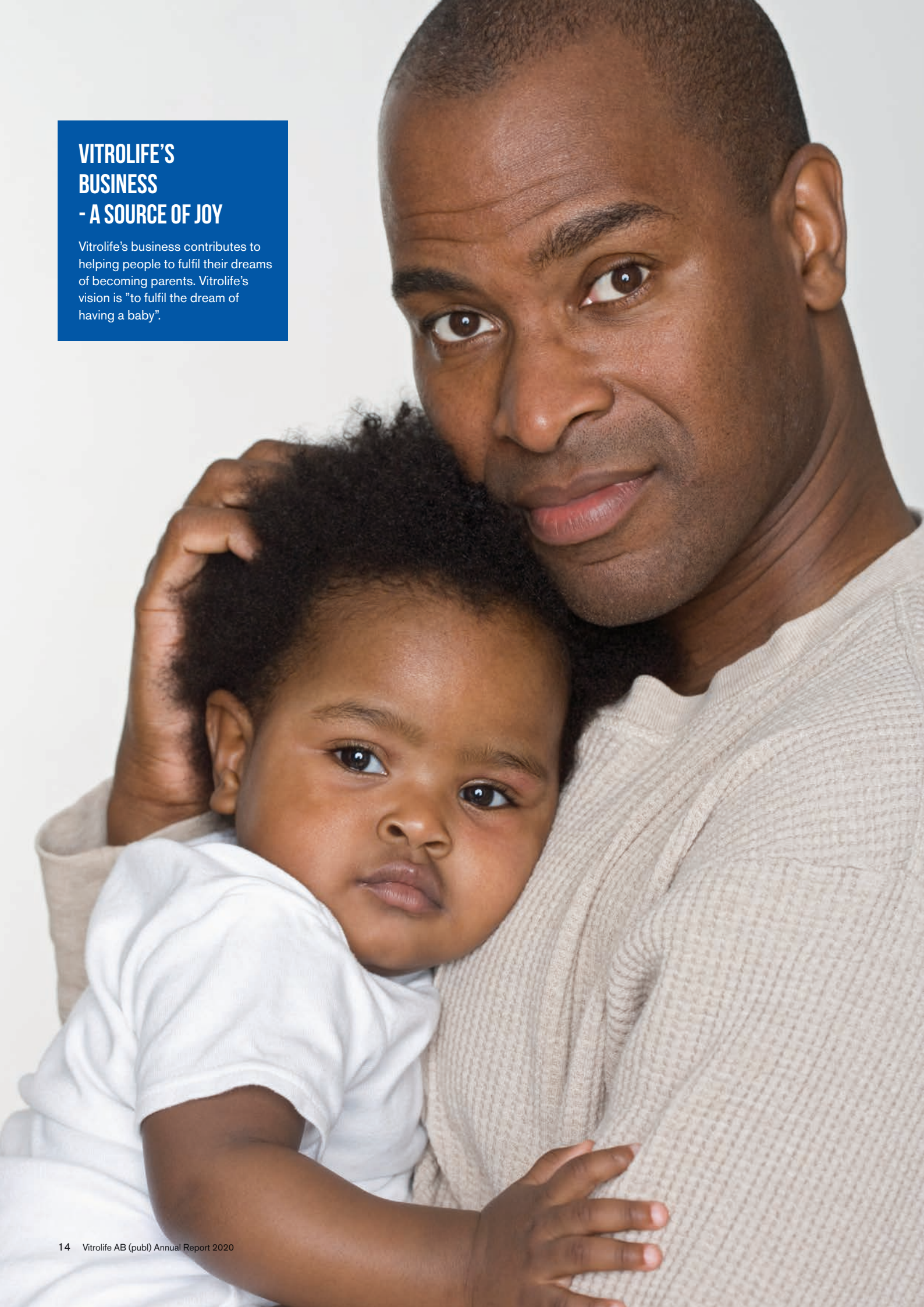
At the same time many patients wanted to resume or begin new IVF treatments. This was a balancing act that is still a reality for many clinics as patient inflows gradually increase.

Vitrolife's sales and growth per region



VITROLIFE'S BUSINESS - A SOURCE OF JOY

Vitrolife's business contributes to helping people to fulfil their dreams of becoming parents. Vitrolife's vision is "to fulfil the dream of having a baby".



SUSTAINABLE ORGANISATION AND BUSINESS

FOCUS ON LONG-TERM VALUE CREATION

The sustainability report for 2020 includes the parent company Vitrolife AB (publ), corporate ID number 556354-3452 and all units consolidated in Vitrolife's consolidated accounts. These are specified in Note 27. The sustainability report is presented in accordance with the provisions of the Swedish Annual Accounts Act, chapters 6–7. The Board and the CEO have also approved the sustainability report when signing the annual accounts and the consolidated annual accounts.

A purpose-driven business

Agenda 2030 and the 17 global goals show the path to a better future for everyone. Vitrolife strives to make a real difference for a sustainable future and cooperates with other relevant stakeholders, such as organisations, educational institutes, civil society and the general public.

Vitrolife's business - a source of joy

Vitrolife's business contributes to helping people to fulfil their dream of becoming parents. Vitrolife's business concept is to develop, produce and market advanced, effective and safe products and systems for assisted reproduction (IVF). The product offering consists of disposable products and equipment for IVF treatment in addition to accompanying support and service.

A growing international organisation

Vitrolife is a global medical device company with 12 offices and sales in approximately 110 markets. The head office is in Gothenburg and the Group's Swedish business is run there. In addition to Gothenburg, Vitrolife also has

production in Denver and San Diego (USA), in Aarhus (Denmark) and in Bruckberg (Germany). The manufacturing in Bruckberg, Germany is planned to be moved to Aarhus, Denmark in 2021. There are also local offices in Australia, Belgium, France, Italy, Japan, China and the UK. Vitrolife mainly conducts product development in-house, while research is largely carried out through close collaboration with leading researchers in the area. Product development is carried out on the basis of market need and Vitrolife constantly considers the possibility of acquiring companies or product areas that will complement its own product development. Vitrolife has its own production in addition to outsourced production of disposable plastic products. A large part of Vitrolife's competitiveness derives from well-developed production technology.

The organisation consists of the Consumables, Technology and Genomics divisions and develops and produces products for fertility treatment. The Consumables division consists of two business units, Media and Disposable Devices, which develop and produce nutrient solutions (media), advanced disposable instruments (needles and pipettes) and disposable plastic products. The Technology division consists of the Time-lapse and ART Equipment business units, which develop and produce technological aids such as time-lapse and microlaser systems. The Genomics division consists of the Genomics business unit, which offers kits for genetic analysis of embryos through partnership with Illumina Inc.

Vitrolife has a central marketing and sales organisation which organises sales globally, through the geographic market organisations EMEA (Europe, Middle East and

QUALITY THAT MAKES A DIFFERENCE

The use of EmbryoGlue increases the chance of becoming a parent. All patients going through IVF procedures that result in a transfer can benefit from EmbryoGlue. EmbryoGlue has been used clinically since 2003 and is the most documented embryo transfer medium. It has been shown in studies that the use of EmbryoGlue has increased both implantation, pregnancy rates and live birth rates.



Africa), Asia, Japan and the Pacific, and the Americas. Vitrolife's customers are to be found on all continents and are primarily public and private sector clinics. Marketing and sales are directed at these clinics both directly and in cooperation with local distributors. Most of Vitrolife's products are classified as medical devices. Sales of the products in the different markets require product approval for each individual market. Vitrolife's customer support function enables customers to take advantage of the improvement in results that the products enable. For more information on the value chain, see pages 24–25.

The common Group support functions consist of Human Resources, sustainability, research, business development, finance, legal and IT. Moreover, Vitrolife has cross-functional teams within various specialist areas which work globally over the whole Group.

Vitrolife's work on sustainability supports the business

Vitrolife's sustainability activities are aimed at strengthening the Group's long-term competitiveness and profitability. This is achieved by ensuring a long-term responsible business development aligned with the UN's 17 global sustainability goals and in relation to the Group's impact and stakeholders, such as shareholders, customers, suppliers and society as a whole.

Vitrolife's Code of Conduct forms the foundation of the sustainability work of the business and is based on the Global Compact's ten principles on human rights, working conditions, the environment and anticorruption. The sustainability work is steered and followed up by Vitrolife's executive management and has goals and metrics relevant to the business. The person functionally responsible for Vitrolife's sustainability work is a member of the executive management and reporting on the sustainability work is done on a regular basis at the executive management's meetings. The Code of Conduct can be read in its entirety on Vitrolife's website www.vitrolife.com.

The ability to continuously and effectively identify and manage risks in the business is an important success factor in all parts of Vitrolife's business. An important tool in day-to-day operational risk management is the ISO 13485 management system, which ensures process-oriented risk management. Vitrolife's Board of Directors is ultimately responsible for the steering of risk management and each year works on identifying, measuring, managing and following up overarching business risk.

Read more about significant risks on page 32. Vitrolife's corporate governance policies are described in the Corporate Governance Report, which is to be found on pages 36–39, where the Board's guidelines for a sustainable business and the diversity policy are also presented.



Global goals

The goals are universal and interconnected. Therefore all 17 global goals contain parts that are relevant to Vitrolife, e.g. themes such as health, well-being, climate and equality. These issues are managed systematically and are integrated in Vitrolife's governance and the work is communicated each year in the Annual and Sustainability Report on pages 15-23. In 2021 Vitrolife is initiating work on an in-depth materiality analysis which will tie the global goals even closer to the business in order to capture the opportunities associated with these goals. Five of the goals have extra relevance for Vitrolife's business, with greater and more direct links to both risks and opportunities for the Group.

Materiality analysis

Vitrolife's Board and management have carried out a materiality analysis and identified the sustainability factors of greatest relevance for the global footprint and stakeholders. These have in turn been categorised in four overarching themes. The work on the material topics is important for Vitrolife's long-term competitiveness and profitability. A review of the materiality analysis was carried out in 2020, entailing adjustments related to the Competent Employees theme. A new materiality analysis will be carried out in 2021 with the aim of tying the sustainability work even closer to the business.

Important themes:

- Competent employees
- Quality-assured products
- Responsible business
- Minimal environmental footprint



Vitrolife is a certified "Nasdaq ESG Transparency Partner". A certification that is awarded to Nasdaq-listed companies that actively work on sustainability issues and related reporting. This is confirmation of Vitrolife's desire to be

transparent vis-à-vis the market in respect of the Group's sustainability status with regard to current and future investors, employees, customers and other stakeholders.

Competent employees

Vitrolife is a knowledge-intensive business Group where the employees are the single most important asset for the Group's long-term competitiveness and profitability. Vitrolife has identified competence development, equality and collaboration as critical sustainability factors for developing employees' competence and well-being.

Vitrolife's vision is "To fulfil the dream of having a baby". It is natural for Vitrolife to offer all its employees a secure, safe and inspiring work environment. Through systematic work on the work environment Vitrolife is actively working to achieve a steady improvement in health and safety conditions at the workplace and to prevent ill health and accidents. In every country where Vitrolife operates, the company offers a work environment that meets or exceeds the statutory requirements and other standards regarding health and safety in each country. Vitrolife supports flexible working hours for the employees as far as is possible so as to create room for recovery and a work/family life balance. The goal is diversity, equality and fairness in a work environment where every employee feels appreciated and respected. Important opinions are gathered from safety rounds and employee surveys so as to constantly improve the work environment, both physically and organisationally. Vitrolife's business is a source of joy and it is therefore natural that the Group's employees should feel joy in their work.

IT IS NATURAL FOR VITROLIFE TO OFFER ALL ITS EMPLOYEES A SECURE, SAFE AND INSPIRING WORK ENVIRONMENT.

Competence development

Vitrolife is a knowledge-intensive company. Offering the employees broad and in-depth opportunities for continual professional development is a basic component of sustainable competence sourcing. Employees' competence is absolutely crucial for Vitrolife's growth. Development needs are identified in regular discussions between employees and their managers, thus engaging and developing competent and inspired employees. A guiding framework, in line with the Group's values, was developed during 2020 as support for the discussions and action plans.

Further improving employees' development opportunities in their work is a priority area for 2021, and improvements are measured by questions in the employee survey. In addition to individual development work, position-specific training comprising both qualification and requalification is always carried out. Managers with personnel responsibility regularly take part in managerial meetings focusing on relevant aspects of leadership at Vitrolife, which creates a good groundwork for development as competent, secure and inclusive leaders. In addition, for example language training is offered to facilitate cooperation in a global organisation.

Equality and inclusion

It is important for Vitrolife to be an attractive employer that maximises and makes full use of the competence that is to be found in the Group's employees. Equality has been identified as a prioritised sustainability question, so as to be relevant as an employer for current and future employees. In order to be able to detect and rectify any imbalances, Vitrolife has chosen to follow up gender distribution at various job levels in the Group. Vitrolife wishes to increase the percentage of female managers so as to create a balanced organisation. Each year salary surveys are carried out to discover any unreasonable discrepancies. These are then corrected in the framework of the Group's equality guidelines. The results of the salary survey show that no unreasonable discrepancies in salary exist in the Group between the genders. Vitrolife has zero tolerance with regard to all forms of discrimination, bullying or harassment. This way of working supports the UN's equality goal of doing away with all forms of discrimination of women.

Equal treatment is important so that all employees irrespective of identity can develop to their full potential and as a foundation for health and well-being. Vitrolife should be a workplace where diversity is respected irrespective of

gender, religion, ethnic background or sexual preference. Diversity and an inclusive way of working make Vitrolife more sustainable by enabling the creation of value from a broad range of aspects, which represent both the customer base and other stakeholder perspectives.

Safe work environment and good health

Vitrolife has an overarching objective to create a good physical work environment and a healthy work climate where everyone can feel safe, develop and feel good. Employee surveys follow up how satisfied employees are with their work environment and improvements are carried out through dialogue and a joint effort. Employees are trained to carry out their work in such a way as to reduce the risk of injuries at work and prevent poor health and accidents. Vitrolife encourages a healthy work/life balance and therefore supports flexible forms of work. The Group works systematically and proactively regarding the health, well-being and safety of all employees and will continue to develop this agenda with regard to both physical and mental aspects.

Work on the local work environment is conducted by the managers, with the support of HR and collaboration partners, for example local employer organisations and experts. In the Swedish business, systematic follow-up on the work environment is conducted by a Safety Committee. This includes safety representatives appointed by the union together with other personnel representatives and management.

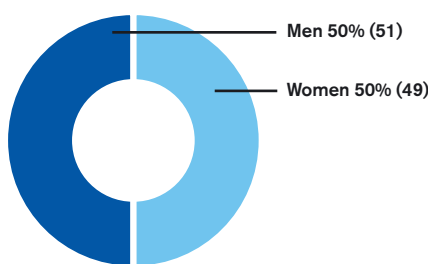
Plans have been adopted regarding responsibility, risk assessment and routines for detecting, rectifying and following up any deficiencies in the work environment.

In 2020 the importance of a safe work environment was extra highlighted due to Covid-19. The safety of those employees working in production and distribution/warehouse, for example, has been secured via special precautionary measures. Vitrolife has been able to avoid outbreaks and spreading of the virus among the employees in all places where production is carried out. Those employees whose work can be done remotely have been able to work from home. Active measures have been taken in order to enable a good environment for long-term work at home, for example employees have been able to take furniture and equipment home on loan. A constant and close interpersonal dialogue has been secured by the managers in order to maintain the good culture and collaboration in the groups despite prolonged working remotely. Several other health care activities, for example joint stretching, activity challenges and quizzes, have been arranged by means of digital cooperation tools.

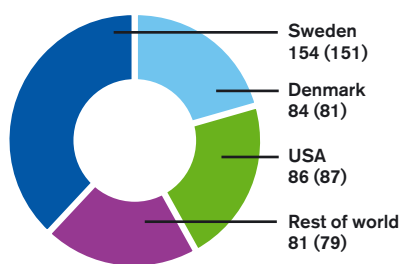
Attractive workplace

Vitrolife's goal-oriented work to create an attractive and sustainable workplace for all employees is a key factor in the Group's success. The personnel turnover rate, calculated as the number of employees who left Vitrolife divided by the average number of employees during the year, is 3%. Vitrolife offers an attractive workplace with an opportunity to work for a higher purpose, a purpose that makes a

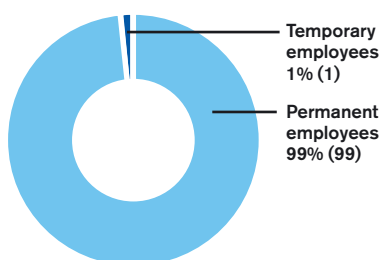
Employees by gender



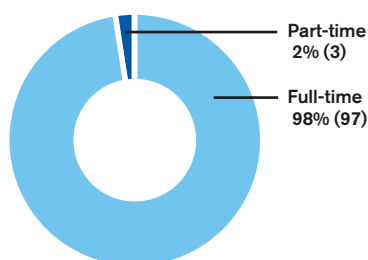
Employees by region



Employees by employment contract



Employees by employment type



Information on employees

	2020	2019	2018
Total number of employees at year end	413	430	392
Average number of employees	405	398	363
Distribution men/women all employees (%)	50/50	49/51	51/49
Distribution men/women management posts (%)	60/40	64/36	66/34
Distribution men/women executive management (%)	75/25	86/14	86/14
Employee Net Promoter Score	+31	+25	+20
Share of "ambassadors" (%)	52	46	42
Absence rate (%) *	3.8	5.2	4.2
Work-related injuries**	4	9	3

* Sick leave figures cover the Swedish part of the business. The statistics include both short-term and long-term sick leave as well as work-related and non-work-related injuries and ill health.

** Statistics for the rest of the world are not included due to limitations in reporting.

All employee data has been compiled on the basis of FTE unless otherwise stated.

difference in people's lives worldwide. Together, Vitrolife's employees make a real difference for fertility clinics around the world and their patients.

It is Vitrolife's employees that create the Group's leading position in the market. During 2020 the results of the employee survey showed that the thorough work produces results. eNPS, which stands for Employee Net Promoter Score and measures how willing employees are to recommend their workplace to friends and acquaintances continued to increase. An eNPS score can vary from -100 to +100. A score over 0 is good, over +20 is very good and over +50 is outstanding. Vitrolife's eNPS increased from +25 in 2019 to +31 in 2020. The results from 2020 generally show very high employee commitment in the light of external comparative data and all indices showed an improvement.

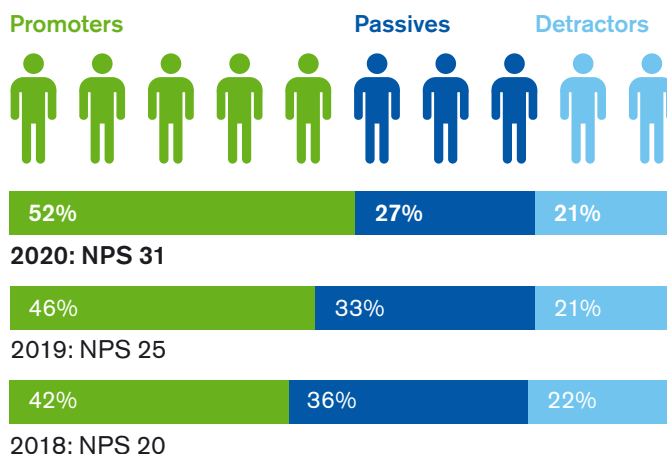
This confirms that Vitrolife's managers and employees were very skilful in adapting in the unprecedented times that 2020 involved due to the pandemic. Of all the managers, 70% are assessed to have leadership skills that are excellent or very good, compared with 62% in 2019. The results of the employee survey are analysed and discussed in every team and form the basis of activity plans both at a group and an overall corporate level. Vitrolife's primary strengths are clearly communicated objectives and values, supportive managers, customer focus and products and services that contribute to societal benefit. The employee survey is answered by almost 90% of the Group's more than 400 employees worldwide.

As Vitrolife grows, a global HR system is being implemented during 2020-2021, which simplifies our way of working and the follow up of data.

Collective agreements and transparency

All employees have the right to join a trade union and

Employer Net Promoter Score



negotiate collectively in accordance with local laws and applicable agreements. Everyone working for Vitrolife shall have the right to fair conditions according to local rules and regulations, including working hours regulated by agreements, time for rest, overtime and vacation. Vitrolife Sweden AB is covered by collective agreements and is a member of Innovations- och Kemiindustrierna (IKEM) within Svenskt Näringsliv (Confederation of Swedish Enterprise) and is thereby bound by their agreements with IF Metall, Unionen and Akademikerföreningarna, amongst others. The cooperation with local union representatives works well and facilitates solutions that best take into consideration both the employees' and Vitrolife's interests. A total of 37% of the Group's employees are covered by collective agreements.

Vitrolife's employees have access to clear and transparent information about the Group's offering as an employer and what rules apply, thanks to the personnel handbooks that have been drawn up. The personnel handbooks are based



PATIENT BENEFIT

Sense is a needle designed for a patient focused oocyte retrieval, providing a higher comfort for the patient. Studies show that the Sense needles can give significantly less pain and less bleeding compared to a conventional needle without compromising with clinical result.

VITROLIFE REQUIRES ALL EMPLOYEES AND DISTRIBUTORS TO SIGN AND COMPLY WITH VITROLIFE'S CODE OF CONDUCT.

on Vitrolife's core values and nationally and internationally established norms for human rights and working conditions. Managers in all functions are responsible for implementation and for employees knowing about and following the current structures and culture, while the HR function is responsible for development, training and follow-up.

Quality-assured products

Vitrolife's products are developed, manufactured, marketed, sold and maintained in accordance with quality-controlled processes. As a manufacturer of medical devices, Vitrolife must meet substantial and strict statutory requirements and product safety standards. Vitrolife's business is quality certified in accordance with ISO 13485 (Design and manufacture of medical devices). The quality management systems are reviewed by both internal and third part reviewers and certified by external supervisory authorities and authorities that carry out regular inspections. The aim is that customers, clinics and patients shall be treated in a sustainable manner. This is achieved by each product that is distributed to customers fulfilling the promised quality, which in turn enables effective treatments. Effective treatments support the UN's goal of ensuring that everyone has access to reproductive health care by 2030.

Quality systems support manufacturing

High-quality products are supplied by using quality systems that meet international requirements for medical devices, for example ISO 13485. With its quality system and quality policy, Vitrolife has committed to complying with the regulations set by the authorities in each country where the products are sold or distributed. This means, inter alia, that each product is sold clearly marked for its approved range of applications, has instructions for correct use and that a system is in place to assess risk and register possible side-effects.

Vitrolife performs tests in the entire production chain, from raw materials and semi-finished goods to the end product, to ensure that products of consistent and high quality are delivered to customers. Quality-assured products are thus a precondition for working as a supplier of medical devices and also involve a competitive advantage. For more information on Vitrolife's quality systems, see pages 24–25.

Workshops support best possible results

Vitrolife Academy is a training organisation in the Group consisting of IVF experts. Workshops are regularly organised by Vitrolife at customers, on Vitrolife's premises

and digitally so as to give customers training on how the products should be used. Through collaboration with all of Vitrolife's business units, effective methods are developed and training is organised for clinics so that they can achieve the best possible IVF results.

Vitrolife's experience in the field of IVF dates back to 1994 and the company can guide customers in how to use well-trying products and processes to increase their effectiveness and improve the clinical effect. Together with the customers, the common goal is to best help people to realise their dream of becoming parents.

Customer satisfaction measures perceived quality

Vitrolife's products are sold worldwide. Customer comments are regularly compiled and are reported to executive management. Vitrolife measures customer satisfaction as the main measure of perceived quality. Vitrolife has a method for measuring customer satisfaction whereby the Group's customers are asked via a questionnaire if they would be willing to recommend Vitrolife as a partner to other clinics in the IVF field. The customers selected are direct customers (not distributors) who have made purchases in the past 12 months. Willingness to recommend is measured on a scale from 0 to 10, where 10 is the best grade. Vitrolife received a very positive response from the customers despite the current pandemic. 85% of the customers gave Vitrolife a score of between 8 and 10, which is an improvement compared with last year and the same percentage of customers (85%) were satisfied with the service and support that Vitrolife gave during 2020.

Customer satisfaction - willingness to recommend 2020



"How likely is it that you would recommend Vitrolife as a partner to other clinics within the IVF field?" Scale 0-10 (10 = best grade)

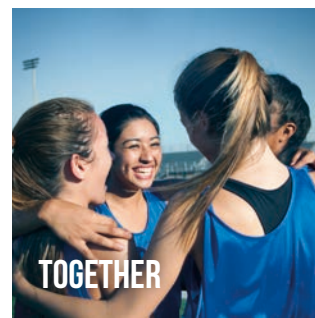
■ 8-10 ■ 4-7 ■ 0-3

Responsible business

Responsible business is a critical sustainability factor, both to reduce the risk of breaking the law and as a competitive advantage in recruiting and external collaboration.

Vitrolife is a leading-edge medical device company in the field of embryo assessment with a view to reducing the time it takes to help people fulfil their dream of having a baby. Due to research and improvements in the IVF process over the past four decades, it has become possible to focus on how a successful pregnancy and delivery can happen as quickly as possible. To achieve this, the embryos with

Vitrolife's values and Code of Conduct guide the employees in how to act and take decisions in various situations



the greatest chances of resulting in a healthy baby must be able to be identified, ranked and transferred one at a time. Automatic image recognition combined with artificial intelligence and pre-implantation genetic testing enables morphokinetic parameters to be analysed, thus giving support in decision processes that facilitate the choice of embryo to be transferred. Vitrolife follows legislation and the ethical principles that apply in each country where the Group operates with regard to each part of the value chain for Vitrolife's products.

Code of Conduct

As a responsible global Group that aims to accelerate a development in the direction of the Sustainable Development Goals, Vitrolife works in line with the UN Global Compact regarding human rights, working conditions, the environment and anti-corruption. There is a clear compliance programme to increase awareness of healthy business practices and to be able to detect, prevent and counteract any unethical behaviour in the business. Training is provided regularly.

In 2020 the Code of Conduct was reinforced with a separate policy that gives guidance to employees and business partners on cooperation with health care and medical care actors and care staff. Vitrolife requires all employees and distributors to sign and comply with Vitrolife's Code of Conduct. The distributors thereby certify that there are no forms of forced labour, child labour or bribery. All distributors have signed Vitrolife's Code of Conduct. Each year Vitrolife conducts training with all employees to repeat the contents of the Code of Conduct and ensure compliance with the Code. All employees in service have undergone the training and verified compliance with the Group's Code of Conduct. In the choice and qualification of suppliers regarding the purchase of material for production, one of the selection criteria is that suppliers comply with and work in accordance with Vitrolife's Code of Conduct. Vitrolife works with established suppliers, mainly within the EU and the US.

Vitrolife has a digital whistle-blower function, comprising the Group's Vice President Global HR and Sustainability and Vitrolife's Chairman of the Board, to whom employees

Vitrolife's Code of Conduct

Vitrolife's Code of Conduct describes the Group's values, commitments and rights, both at the workplace and in its business operations.

All employees shall act in accordance with the rules that have been established in the Code of Conduct and follow laws, directives and Vitrolife's supporting policies both globally and locally.

Suppliers, distributors and business partners shall follow relevant parts of the Code of Conduct.

The Code of Conduct is based on the following international principles:

- the UN's general declaration on human rights
- the UN's Global Compact
- the ILO's declaration on basic principles and rights regarding labour
- the OECD's guidelines for multinational companies

and external stakeholders can turn to report any deviations from Vitrolife's Code of Conduct. Reporting can also be done anonymously. No cases were reported in 2020. If a case should come in, there is a process in place for review, investigation and follow-up, with appropriate measures for correction.

Vitrolife pays tax in every country where business is conducted pursuant to current legislation and OECD guidelines for fair distribution of results, which contributes to the development of the local society in each country.

Together – one of Vitrolife's core values

Vitrolife's vision is "To fulfil the dream of having a baby" and describes what is most important for the Group – helping people to realise their dream of becoming parents. The Group's values guide the employees. The employee survey confirms that Vitrolife is a values-driven company. Vitrolife strives to have a decentralised and flexible organisation structure, characterised by competence, an entrepreneurial spirit, steering by objectives and rapid decision routes.

VITROLIFE HAS DEVELOPED TOOLS TO CALCULATE HOW TO FILL THE REFRIGERATED BOXES OPTIMALLY.

“Together” is the value that most of all guides work in the Group, every day. The values guide the employees on how they should act and make decisions in different situations. For each value there are detailed descriptions, with examples of what they can mean in day-to-day work. The aim is for all employees to have these as guidance in their daily work.

Social responsibility

In order to reduce inequality and injustice in the world, Vitrolife has contributed with support for Swedish Medical Aid (Läkarmissionen) and Unicef over the past ten years. Läkarmissionen is an aid organisation that has worked since 1958 to change the futures of vulnerable people and carries out international development work and disaster assistance in more than 40 countries. Vitrolife supports the work of Swedish Medical Aid, to ensure safe deliveries for women in rural Africa, which saves lives and reduces suffering. Panzi Hospital in Bukavu in the Democratic Republic of the Congo was founded by Denis Mukwege, winner of the Nobel Peace Prize. It receives thousands of patients from the whole region. Läkarmissionen is one of the hospital's chief financiers and focuses on safe childbirth, prematurely born infants, a nutrition ward which saves the lives of severely malnourished children, and family planning.

Vitrolife's contribution to Swedish Medical Aid has enabled 1,600 women to give birth to their babies in a safe environment at the hospital. As a supplier of products and solutions that aim to help people to fulfil their dream of becoming parents, Vitrolife is particularly mindful of the children in the world. As a compliment for every customer that answers Vitrolife's customer surveys, Vitrolife makes a donation to UNICEF's vaccination program. UNICEF



Läkarmissionen/Jörgen Bodesand

monitors the child convention adopted by the UN that contains provisions concerning human rights for children and which is world-leading regarding the vaccination of children. They also run campaigns and education with a view to collecting money for research into vaccine and its manufacture and distribution.

Minimal environmental and climate footprint

Vitrolife works systematically to reduce the environmental footprint of all its business. In line with this, the head office, including the production facility in Gothenburg, is certified in accordance with the environmental management system standard ISO14001. By mapping sources of emissions in accordance with the GHG protocol, Vitrolife can also work strategically on direct measures to shed light on and reduce a negative impact on the climate and restrict business travel. Examples of activities are more effective coordination of the transportation of goods, limiting business travel and carrying out life-cycle analysis of products. During Covid-19 the business has adapted greatly by replacing travel with digital conferences, meetings and training sessions regarding both internal and external contacts. Productivity, health and the climate are thereby all favoured. The aim is to run the Group's business with as low an environmental and climate footprint as possible without sacrificing Vitrolife's competitiveness.

Life cycle analysis

A life cycle analysis of one of Vitrolife's most important products, EmbryoScope+, was carried out in 2020. Greenhouse gas emissions linked to the manufacture, installation, maintenance, use and recycling of the product were calculated. The total GHG footprint is calculated to amount to 21.3 tonnes of CO₂. Maintenance-related emissions related to service technicians' travel and energy consumption when the product is in use are the most significant. Work is ongoing to better plan and digitise maintenance and service, thus responsibly reducing the product's total climate footprint.

Climate footprint

As from 2019, Vitrolife measures emissions in accordance with the GHG protocol. Scope 1 covers direct emissions from the company's production facilities and Scope 2 covers electricity consumption by these facilities. Scope 3 covers emissions except purchased energy which occur outside the confines of the business. Vitrolife measures the efficiency of all scopes as emissions of CO₂ in tonnes in relation to the Group's sales in SEK millions, also called the environmental index. Vitrolife's facility in Aarhus has gone over to a more renewable energy mix. In addition to these direct changes, Covid-19 has also impacted the Group's emissions and makes comparisons over time more difficult.

Scope 1 – Direct greenhouse gas emissions

The impact on the climate for 2020 in Scope 1 amounted to 515 tonnes of CO₂ (523). The impact on the environment

SCOPE 1



DIRECT GHG EMISSIONS:
515 TON CO₂ (523)

ENVIRONMENTAL INDEX:
0.41 (0.35)

SCOPE 2



ELECTRICITY AND HEAT INDIRECT GHG EMISSIONS:
702 TON CO₂ (808)

ENVIRONMENTAL INDEX:
0.56 (0.55)

SCOPE 3



OTHER INDIRECT GHG EMISSIONS:
1 199 TON CO₂ (1,867)

ENVIRONMENTAL INDEX:
0.96 (1.26)

consists primarily of natural gas combustion in the distilling of water for production in the US. This process also contributes to the heating of the clean rooms and is therefore run constantly, despite reduced production volumes. This in relation to reduced sales therefore results in a higher environmental index for Scope 1 in 2020. The environmental index related to Scope 1 amounted to 0.41 (0.35).

Scope 2 - Indirect greenhouse gas emissions from electricity and heating

The impact on the climate for 2020 in Scope 2 amounted to 702 tonnes of CO₂ (808). The impact on the climate consists primarily of the consumption of electricity for Vitrolife's production facilities. Electricity used in Sweden comes from renewable energy sources, which means zero CO₂ emissions. As from 2020 the production facility in Aarhus has also been run by electricity from renewable energy sources. The environmental index related to Scope 2 thereby amounted to 0.56 (0.55).

Scope 3 - Other indirect greenhouse gas emissions

In Scope 3 Vitrolife has carried out a materiality analysis of the impact on the climate, which resulted in business travel and the transportation of goods being included in Vitrolife's measurement of Scope 3. In 2020, the number of business trips has been cut by more than half as a result of the pandemic. The number of goods transports has also decreased in all regions, partly as a result of reduced sales. Scope 3 in 2020 amounted to 1,199 tonnes of CO₂ (1,867). The environmental index related to Scope 3 thereby amounted to 0.96 (1.26).

IVF media are sensitive products that must be stored and transported under refrigerated conditions to maintain product quality. IVF media are kept cold during transportation by being packed with ice packs in well-insulated styrofoam boxes. When outside of a cold store, these styrofoam boxes have a limited time before the contents become too warm. This necessitates short transportation times, making air freight the only alternative for longer distances.

The impact on the climate can be reduced through efficient packing and fewer shipments. Vitrolife strives to reduce the amount of refrigerated freight by informing customers about

the CO₂ emissions generated by transportation, thereby encouraging customers to order larger quantities on fewer occasions. Vitrolife has developed tools to calculate how to fill the refrigerated boxes optimally. Non-temperature-sensitive products such as instruments are transported by sea whenever possible.

Vitrolife also uses professional freight carriers with efficient transportation systems that optimise shipments through bundling and transportation routes, which also reduces CO₂ emissions and costs.

Employees' travel is a necessity in order to run the Group's business. In order to reduce the environmental impact and costs, Vitrolife has issued a travel policy. Internal travel is minimised by the use of digital tools such as video conference equipment, which is installed at all of Vitrolife's offices.

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Vitrolife AB (publ), corporate identity number 556354-3452

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the financial year 2020 on pages 15–23 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Gothenburg 24 March 2021
Deloitte AB

Harald Jagner
Authorized Public Accountant

VALUE CHAIN

HIGH AND CONSISTENT QUALITY IS ONE OF VITROLIFE'S COMPETITIVE ADVANTAGES

Innovative product development based on customer benefit and scientific knowledge

Vitrolife's operations cover the product's entire value chain, from research, development and production through to distribution and sales. Together with the business units, the research function evaluates new product possibilities with a focus on customer needs, medical needs and financial prerequisites. Development work includes comprehensive testing work and collaboration with opinion leaders to ensure the best functionality and security, which leads to rapid market acceptance of new products.

Vitrolife develops innovative products on a solid scientific basis and, as far as possible, protects these products through product or process patents. Patent applications are submitted in each product's key markets at an early stage of research. In 2020 patent number WO2017 / 032811 was granted in Europe. The patent application concerns an embryo or stem cell medium containing a mixture of antioxidants. Vitrolife also owns a number of registered trademarks, such as EmbryoGlue®, EmbryoScope® and Ovoil®.

Development work also comprises preclinical and clinical studies to document the products' effectiveness and safety. These studies are often presented at scientific congresses or published in scientific journals. When a product is ready for launch, these studies comprise an excellent base for communication of the product's value.

Product approval

The majority of Vitrolife's products are classified as medical devices. The documentation for medical devices differs from those applicable for pharmaceuticals. Product approval is required in each individual market in which the products will be sold. In the US, for example, approval is required from the Food and Drug Administration (FDA) and in China approval from National Medical Product Administration (NMPA) is required. In the EU, the product must be marked Conformité Européenne (CE). The requirements for approval of medical devices are increasing in most markets. In May 2021 the EU will transfer to Medical Device Regulations (MDR), which will involve significantly stricter rules.

Sourcing, production and quality control

Vitrolife has in-house manufacturing, in addition to outsourced production of plastic disposable products. A large part of Vitrolife's competitiveness is attributable to its well-developed production technology. As raw material suppliers do not have methods to test that the raw materials are suitable for IVF treatment, a great deal of resources are invested in finding and testing acceptable raw materials.

A large part of production is carried out in clean rooms and all operations are steered by quality systems adapted to medical device standards and regulatory frameworks. Advanced tests of raw material, semi-finished and finished products ensure high and consistent quality and comprise a strategic competitive tool.

EXTENSIVE QUALITY CONTROL FROM RAW MATERIAL TO DELIVERED PRODUCT



Continuous evaluation of raw material suppliers



Stringent testing of all raw material



Controlled manufacturing

**VITROLIFE HAS
WORLDLEADING
PRODUCTION WITH
FIRST-CLASS QUALITY
CONTROL AND
EFFICIENCY**

**Vitrolife's Quality and
Environmental Systems**

ISO 14001:2015
ISO 13485:2016 MDSAP
US Quality System Regulation
Canadian Medical Device Regulations
EU Good Distribution Practice etc.

**Audits performed at Vitrolife
during 2020**

DNV, BSI, Presafe, TÜV Rheinland
and TÜV SÜD.



Sales and distribution

Vitrolife has sales in approximately 110 markets. In order to support all markets, the Group has developed a customer support function where customers can quickly gain access to expert scientific support. As more advanced products are developed, the need for expert customer support also increases. The provision of customer support, both in markets served directly and through distributors, en-

ures that the products are used correctly thus enabling the clinics to utilise the improvements delivered by the products.

The distribution of medical device products also places high demands. Media, for example, must be transported under refrigerated conditions to all parts of the world. Vitrolife has long experience of this type of transportation and the global refrigeration chain is a balance of quality requirements, environmental aspects and economy.



**Extensive testing of
final products**



**Controlled
distribution process**

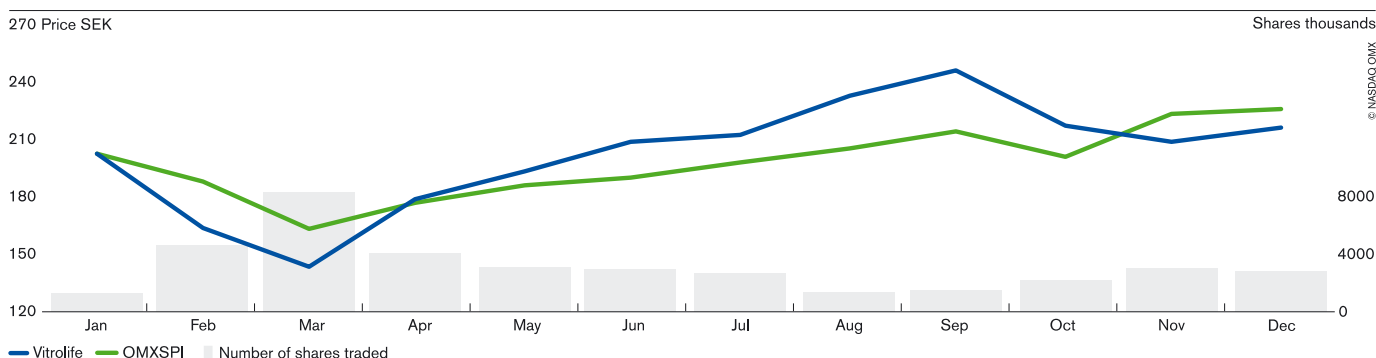


**Products that make a
difference in the clinics**

THE VITROLIFE SHARE

CONTINUED INCREASE IN SHAREHOLDER VALUE

Share price performance and turnover 2020



In 2020, Vitrolife's share was listed on NASDAQ Stockholm, Large Cap. The share has been listed since 26 June 2001, under the ticker VITR. In May 2018, a 5:1 share split was carried out pursuant to a resolution adopted at the Annual General Meeting.

Share structure

On 31 December 2020, the share capital of Vitrolife AB (publ) was SEK 22,144,317 (22,144,317) allocated among 108,550,575 (108,550,575) shares with a quotient value of SEK 0.204. All shares carry the same number of votes and entitle shareholders to equal shares in Vitrolife's assets and earnings. There were no warrants outstanding as of 31 December 2020.

Share price performance and turnover

At 31 December 2020 the latest price paid for the share was SEK 215.80 per share (197.50), up 9% year-on-year. NASDAQ Stockholm's index increased 15% during the same period. At the end of 2020, Vitrolife's market capitalization was SEK 23,425 million (21,439) based on the latest share price paid. The highest share price during the year was SEK 252.00 (226.80) on 18 September (10 April). The lowest share price during the year was SEK 112.30 (143.70), on 23 March (4 January).

During the year, Vitrolife's share turnover on NASDAQ Stockholm totalled 37,988,124 (36,421,917) amounting to a value of SEK 7,083 million (6,712). The total number of transactions was 277,462 (273,804).

The total share turnover corresponded to 35.0% (33.6) of the number of shares outstanding at the end of the year.

+9% SHARE PRICE DURING 2020

Ownership structure

At 31 December 2020, the number of shareholders in Vitrolife was 10,601 (10,064), of these, 86% owned 1,000 shares or less. The ten largest shareholders accounted for 70% (71) of the shares. The proportion of shareholders with registered addresses outside of Sweden was 62% (59).

Dividend policy and dividend

Vitrolife's Board and CEO intend to propose, on an annual basis, a dividend or other corresponding distribution that on average and over time corresponds to 30% of the year's net profit after paid tax. Decisions regarding the proposed dividend or its equivalent will take into account the Group's future profits, financial position, capital requirements and position in general. Vitrolife's net debt to EBITDA ratio should in normal circumstances not exceed a multiple of 3.

In 2020 no dividend was paid. In accordance with the dividend policy, the Board and CEO intend to propose that the 2021 Annual General Meeting resolve in favour of a dividend of SEK 0.80 (-) per share.

Share buybacks

The Board was authorised by the 2020 Annual General Meeting to repurchase Vitrolife's own shares with the aim of adjusting the company's capital structure. During the year, no purchases of own shares were made.

Share savings programme

The 2020 Annual General Meeting resolved, in accordance with the Board's proposal, to introduce a long-term incentive programme (LTIP 2020) for certain key employees in order to encourage a personal long-term shareholding in Vitrolife, and also to increase and strengthen opportunities to recruit, retain and motivate employees. The aim was also to use LTIP 2020 to unite employees' and shareholders' interests. For more information on the programme, see the Management Report on page 34.

Vitrolife also has two share-related incentive programmes outstanding pursuant to resolutions adopted by the 2018 and 2019 Annual General Meeting. For more information regarding these programmes, see page 34 and www.vitrolife.com.

Price quotes and current information

Continuous information about the share is available at www.vitrolife.com. Press releases, interim reports and annual reports are also available there and it is possible to subscribe to receive these by email.

People discharging managerial responsibilities

Pursuant to the EU's Market Abuse Regulation, people discharging managerial responsibilities and persons closely associated with them must inform the issuer and the Swedish Financial Supervisory Authority (Finansinspektionen) of

every transaction that has been carried out on their behalf regarding shares and other financial instruments issued by the issuer. The Board, the CEO and the CFO are considered to comprise the people discharging managerial responsibilities at Vitrolife.

Analysts

The following companies monitor Vitrolife on a regular basis:

- ABG Sundal Collier
- Carnegie
- Danske Bank
- DNB Bank ASA
- Murgata Equity Research
- Redeye

Four reasons to invest in Vitrolife

- Market growth is primarily driven by the growing middle class, that parents-to-be choose to try to have children later in life, increased social acceptance of IVF and increased use of technology in IVF treatments.
- Strong brand name associated with quality.
- Long history of creating profitable growth.
- Aims to lead technological development in the field of IVF.

Per share data

	2020	2019	2018	2017	2016
Average number of shares*	108 550 575	108 550 575	108 550 575	108 550 575	108 550 575
No. of shares at closing date*	108 550 575	108 550 575	108 550 575	108 550 575	108 550 575
Shareholders' equity per share, SEK*	18.54	16.53	13.75	11.29	9.38
Earnings per share, SEK*	2.64	3.53	2.85	2.43	1.75

* Recalculated with regard to the 5:1 share split carried out in May 2018.

Vitrolife's ten largest shareholders

Shareholders	No. of shares	Shares and votes, %
William Demant Invest A/S	28 649 775	26.4
Bure Equity AB (publ)	20 573 285	18.9
State Street Bank and Trust Co, W9	13 349 469	12.3
BNY Mellon SA/NV (Former BNY), W8IMY	2 737 931	2.5
JP Morgan Bank Luxembourg S.A.	2 561 381	2.4
Goldman Sachs & Co. LLC, W9	2 035 338	1.9
CBNY-Norges Bank	1 976 083	1.8
Eccenovo AB	1 690 000	1.6
SEB Investment Management	1 544 088	1.4
JP Morgan Chase Bank N.A.	1 289 406	1.2
Other shareholders	32 143 819	29.6
Total	108 550 575	100.0

Source: Euroclear Sweden's shareholder's register at 31 December 2020

Shareholder statistics

Size of holding votes	No. of shares, thousands	No. of shareholders	Shares and votes, %
1 – 500	762	8 429	0.7
501 – 1 000	581	699	0.5
1 001 – 5 000	2 597	1 004	2.4
5 001 – 10 000	1 324	176	1.2
10 001 – 15 000	825	64	0.8
15 001 – 20 000	661	36	0.6
20 001 –	101 800	193	93.8
Total	108 550	10 601	100.0

Source: Euroclear Sweden's shareholder's register at 31 December 2020

FINANCIAL STATEMENTS



5-YEAR SUMMARY, GROUP

SEK thousands	2020	2019	2018	2017	2016
Income statements in summary					
Net sales	1 245 572	1 480 132	1 151 348	1 046 217	856 106
Gross income	767 667	938 652	761 124	681 709	561 301
Operating income	370 015	487 946	393 915	340 856	248 841
Income after financial items	366 191	492 694	398 583	340 915	248 930
Income for the year	287 865	383 839	310 697	264 602	191 212
Depreciation, amortisation and impairment	84 070	99 388	84 692	66 949	54 326
Statements of financial position in summary					
Intangible fixed assets	702 720	778 257	727 997	607 738	649 087
Tangible fixed assets	142 113	173 359	94 126	84 432	93 655
Financial fixed assets	39 460	32 674	23 602	9 168	8 948
Deferred tax assets	6 355	4 173	1 166	11 181	22 282
Inventories	204 027	208 820	161 186	150 556	145 654
Accounts receivable	216 494	233 321	181 002	148 236	126 187
Other current receivables	20 355	18 545	17 578	15 150	15 433
Cash and cash equivalents	973 566	689 538	490 810	395 963	189 245
Total assets	2 305 089	2 138 687	1 697 467	1 422 424	1 250 491
Shareholders' equity, attributable to the Parent Company's shareholders	2 012 570	1 794 023	1 492 914	1 225 857	1 018 055
Non-controlling interests	4 444	3 605	3 298	2 792	2 329
Deferred tax liabilities	16 211	27 273	29 329	51 170	61 280
Other provisions	21 503	16 619	11 527	7 311	9 043
Long-term interest-bearing leasing liabilities	48 810	61 213	–	399	466
Long-term non-interest-bearing liabilities	24 538	33 602	8 124	–	–
Short-term interest-bearing leasing liabilities	13 593	14 632	–	81	37 390
Accounts payable	25 922	29 314	32 085	30 598	24 286
Other short-term non-interest-bearing liabilities	137 499	158 406	120 190	104 216	97 642
Total shareholders' equity and liabilities	2 305 089	2 138 687	1 697 467	1 422 424	1 250 491
Cash flow statements in summary					
Cash flow from operating activities	356 448	413 333	349 435	312 189	181 262
Cash flow from investing activities	-20 218	-112 572	-181 265	-9 980	-131 002
Cash flow from financing activities	-26 611	-106 890	-81 462	-93 496	-63 596
Cash flow for the year	309 619	193 872	86 708	208 713	-13 336
Opening cash and cash equivalent	689 538	490 810	395 963	189 245	199 572
Exchange-rate differences in cash and cash equivalents	-25 591	4 856	8 139	-1 995	3 009
Closing cash and cash equivalents	973 566	689 538	490 810	395 963	189 245
Other					
Investments, excl. acquisitions	-20 218	-32 470	-21 549	-9 980	-14 500
Net sales outside Sweden, %	98	99	98	98	97

KEY RATIOS, GROUP

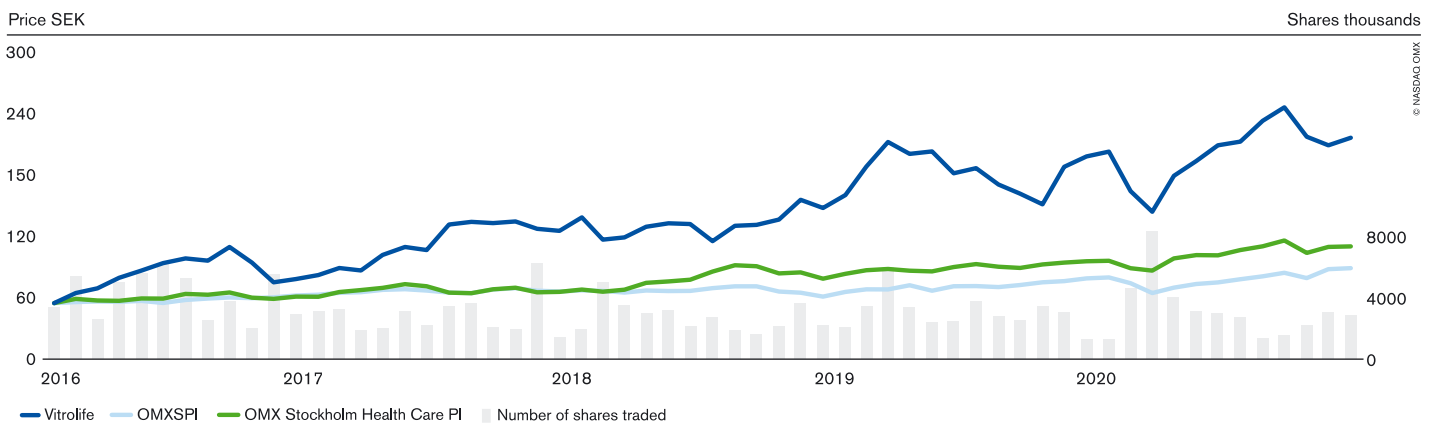
	2020	2019	2018	2017	2016
Margin ratios					
Gross margin, %	61.6	63.4	66.1	65.2	65.6
Adjusted gross margin, %	63.6	66.3	69.8	69.0	69.3
Operating margin before depreciation, amortisation and impairment (EBITDA), %	36.5	39.7	41.6	39.0	35.4
Operating margin (EBIT), %	29.7	33.0	34.2	32.6	29.1
Other ratios					
Return on equity, %	14.8	22.8	22.2	23.3	20.3
Average number of employees	405	398	363	355	328
Net debt*, SEK M	-973.6	-689.5	-490.8	-395.5	-151.4
Equity/assets ratio, %	87.5	84.1	88.1	86.4	81.6
Share data					
Average number of outstanding shares***	108 550 575	108 550 575	108 550 575	108 550 575	108 550 575
Number of outstanding shares at closing date ***	108 550 575	108 550 575	108 550 575	108 550 575	108 550 575
Earnings per share, SEK***	2.64	3.53	2.85	2.43	1.75
Cash flow from operating activities per share, SEK***	3.28	3.81	3.22	2.88	1.67
Shareholders' equity per share, SEK***	18.54	16.53	13.75	11.29	9.38
Dividend per share, SEK**	0.80**	–	0.85	0.74	0.52
Share price at closing date, SEK***	215.80	197.50	147.00	124.60	77.40
Price per Earnings	81.7	55.9	51.6	51.3	44.1

* Negative amount implies net claim. ** Proposed dividend, subject to the Annual General Meeting's decision.

*** Recalculated with regard to the 5:1 share split carried out in May 2018.

For definitions, justifications and reconciliations of key ratios, see pages 64-65.

SHARE PRICE DEVELOPMENT 5 YEARS



MANAGEMENT REPORT

The Board of Directors and the CEO of Vitrolife AB (publ), corporate registration number 556354-3452, hereby submit the annual report and consolidated financial statements for the 2020 financial year.

Operations

Vitrolife is an international medical device group that develops, produces and markets products for assisted reproduction. Further information on the number of shares and ownership structure is available in the Corporate Governance Report on page 36.

The Group has about 400 employees and products which are sold in approximately 110 markets. The company's head office is in Gothenburg, Sweden, and there are also offices in Australia, Belgium, China, Denmark, France, Germany, Italy, Japan, the UK and the US. The sustainability report including the environment and organisation is available on pages 15–23.

Vitrolife's goal is to be the leading supplier of products and services which reduce the length of time to having a healthy baby and improves IVF clinics' efficiency and control. The Group's product range includes nutrient solutions (media), advanced disposable instruments (needles and pipettes), disposable plastic products, kits for genetic analysis of embryos and technological aids such as time-lapse and microsurgical lasers.

Through close collaboration with leading research scientists in the field, Vitrolife is at the cutting edge of research and product development in terms of function and safety. Production is distributed so that volume products in Media business unit are produced in Denver in the US and specialised products with a higher labour content are produced in Gothenburg. Instruments are produced at the company's facilities in Gothenburg and in San Diego in the US. Time-lapse products are manufactured in Aarhus, Denmark. Microsurgical lasers are manufactured in Bruckberg, Germany and the manufacturing is planned to be moved to Aarhus, Denmark during 2021. Marketing and sales are carried out by the company itself and in partnership with distributors. Vitrolife's customers primarily comprise public and private clinics.

Organisation

Vitrolife's organisation consists of the following divisions: Consumables, Technology and Genomics, which develop and produce products for fertility treatment. The Consumables division consists of two business units, Media and Disposable Devices, which develop and produce nutrient solutions (media), advanced disposable instruments (needles and pipettes) and disposable plastic products. The Technology division consists of the Time-lapse and ART Equipment business units, which develop and produce technological aids such as time-lapse and microlaser systems. The Genomics division consists of the Genomics business unit, which offers kits for genetic analysis of embryos through a partnership with Illumina Inc. Marketing and sales of Vitrolife's products are carried out by the geographic market organisations EMEA (Europe, the Middle East and Africa), Asia, Japan and the Pacific, and the Americas. The joint corporate support functions consist of Human Resources, research, business development, finance, legal and IT. Furthermore, Vitrolife has cross-functional teams within different specialist areas that work globally across the whole Group.

Research and development

Vitrolife mainly conducts proprietary product development, while the majority of research is carried out in close collaboration with leading research scientists in the relevant field. Continuous research is performed to create new products and to enhance existing products. Vitrolife has research agreements with eminent individuals in the fertility area in different parts of the world. Product development is based on market needs and Vitrolife continuously assesses acquisi-

tions of companies or product areas as complements to develop its own products. During the year, the cost for R&D amounted to SEK 92 (100) million. In addition to this, development costs capitalised in the statement of financial position amounted to SEK 13 (6) million.

Net sales

Sales amounted to SEK 1,246 (1,480) million, corresponding to a decrease of 16% in SEK. Sales decreased by 13% in local currencies.

Sales in the EMEA region (Europe, the Middle East and Africa) amounted to SEK 533 (596) million. Sales decreased by 9 percent in local currencies. Sales in the Americas region amounted to SEK 226 (284) million. Sales decreased by 17% in local currencies. Sales in the Japan and Pacific region amounted to SEK 214 (240) million. Sales decreased by 8% in local currencies. Sales in the Asian region decreased by 22% in local currencies and amounted to SEK 273 (360) million. Sales were negatively impacted by Covid-19 in all regions as a result of reduced demand.

Sales for the Consumables division decreased by 8% in local currencies and amounted to SEK 752 (841) million. Sales for the Technology division decreased by 23% in local currencies and amounted to SEK 363 (489) million. Sales for the Genomics division decreased by 10% in local currencies and amounted to SEK 107 (125) million. Freight revenues amounted to SEK 24 (24) million. Sales for all divisions were negatively impacted by Covid-19 as a result of reduced demand.

In Vitrolife's assessment, the global IVF market decreased in 2020 as a result of Covid-19.

Investments

Capital expenditure for the year for noncurrent assets amounted to SEK -20 (-113) million and included equipment and development costs (which have been capitalised in the statement of financial position). For more information, see Note 14 and 15.

Significant events

Covid-19

Vitrolife's business during the year was to a great extent characterised by the Covid-19 pandemic. At the beginning of the year reports came regarding the outbreak of a virus in China, which resulted in the IVF clinics in the country being temporarily shut down and demand for the Group's products decreased sharply. At the end of the first quarter demand was negatively impacted by Covid-19 outside of China as well and at the beginning of the second quarter Vitrolife's sales amounted to approximately a third compared with the same period the previous year. Vitrolife carried out a number of measures to reduce the negative impact of the pandemic on the business without risking the long-term growth opportunities for the Group and its customers. The Group's manufacturing decreased substantially but as a result of the lead time in production and media products' limited shelf-life, the reduced demand resulted in obsolescence costs. However, Vitrolife chose to produce more than the estimated demand so as not to risk the Group's customers ending up without products if demand were to rapidly return. This proved to be fortunate later on as demand in certain countries increased faster than calculated at the beginning of the recovery. Vitrolife's manufacturing, including the supply of input goods, could be maintained without significant disruptions during the pandemic.

On the marketing and sales side, physical trade fairs and meetings with customers were cancelled and replaced by digital equivalents. Vitrolife carried out a large number of digital training webinars, which was an appreciated activity among the Group's customers, who, as a result of a reduced patient inflow, had time to conduct

Significant risks and uncertainties

Macro-economic risks	Operational risks	Financial risks
<ul style="list-style-type: none">▪ Changes in economic conditions▪ Legal and regulatory environment▪ The market	<ul style="list-style-type: none">▪ Production▪ Information▪ Personnel▪ Insurance cover▪ Legal disputes	<ul style="list-style-type: none">▪ Currency risks▪ Interest-rate risks▪ Credit risks

training during the crisis. These efforts strengthened Vitrolife's brand and closeness to customers. The Group supported the customers in various ways, and they were in several cases were hit hard by the pandemic. Distribution of Vitrolife's products around the world generally functioned well, even though certain disruptions arose in connection with insufficient capacity at freight companies and customs checkpoints. In research and product development, the internal work of strengthening the product portfolio continued at full speed ahead, but certain delays were discernible in the clinical testing of products, as these were negatively impacted by the reduced numbers of patients at clinics.

As a result of reduced demand, the Group's need for personnel decreased. As Vitrolife assessed that demand would return after the pandemic, no permanent staff reductions were made. However, government assistance was made use of in some countries to temporarily reduce personnel costs. In Sweden, Vitrolife's production employees manufactured input goods for ventilators for a while for a company that as a result of sharply increased demand from health care required more medical device production capacity. Vitrolife's employees felt great satisfaction and pride in quickly being able to manufacture these critical products for health care and assisting in the fight against the pandemic. Vitrolife's white-collar workers have largely worked from home since the outbreak. This has worked well in general and the IT environment has been well-dimensioned and safe to support this.

In the fourth quarter, Vitrolife estimates that the number of IVF treatments amounted to just over 90% of the number performed in the corresponding quarter the previous year. The recovery has been driven by eased restrictions and by the fact that many private clinics in for example the US, Japan and Australia have carried out more treatments than in the corresponding period the previous year in order to make up for lost treatment cycles during the first half year. One factor limiting the recovery has been that IVF tourism, which is considerable in some countries, has almost completely come to a halt as a result of travel restrictions. In some parts of the world, such as India, South America, Turkey and south-east Asia, considerably fewer treatments continue to be carried out compared with the corresponding period the previous year.

Consolidation within the Technology division

During the year it was decided to consolidate the Technology division's production and product development to the facility in Denmark. The transfer of the business from Germany to Denmark aims to achieve synergies between the division's business units and is expected to be fully completed during 2021.

Significant risks and uncertainties

Vitrolife's goal is to be the leading supplier of products and services which reduce the length of time to having a healthy baby and improves IVF clinics' efficiency and control. The risks and possibilities that Vitrolife manages as part of this work pertain to its own operations and the business environment in general. Many risks

and possibilities are managed through continuous development of internal procedures and controls.

The risks are presented under the following categories:

- Macro-economic risks
- Operational risks
- Financial risks

Macro-economic risks

Changes in economic conditions

An economic downturn could result in a decline in the demand for privately financed treatments, particularly in countries with low levels of state subsidies such as the US. However, experience has shown that this type of treatment is often highly prioritised by patients. During the year, demand was negatively affected by the pandemic.

Legal and regulatory environment

The market for Vitrolife is impacted by applicable legislation and other regulations in many countries. Legislative changes or political decisions can influence Vitrolife's ability to conduct or develop operations. Demand for treatments can also be affected by changes in reimbursement levels. During the year, demand was negatively affected by political decisions to reduce the spread of infection.

Vitrolife's products need various types of regulatory approval prior to being offered for sale. In the fertility field, the authorities are interested in more closely regulating the market for medical devices with the aim of increasing patient safety and reducing the risk of malpractice. This entails greater product development costs for Vitrolife and other suppliers, but also greater barriers for new competitors who want to enter the market.

Due to the nature of the company's operations, a certain risk exists with regard to claims for damages and liability. Vitrolife holds insurance cover for general and operations-related damage claims to protect the Group against the financial impact of any such claims.

The market

Vitrolife operates in a competitive field. During the year, the trend toward increased technology content in treatments continued. New products and enhanced treatment methods are launched continuously, and the future development of the medical device market could impact Vitrolife's competitiveness. Vitrolife invests continuously in research and development to ensure that the Group can provide the market with a competitive product offering. Another market trend is for IVF clinics to merge and form chains. Spain, Australia, the UK and the US are examples of markets where consolidation is in progress or has happened. Mergers create economies of scale for the clinics regarding marketing, the purchase of products and availability of competence. Consolidation in the market among suppliers to IVF clinics has also been ongoing in recent years. Vitrolife is an active participant in this supplier consolidation process.

Operational risks

Production

These comprise mainly risks that limit or prevent Vitrolife from developing, manufacturing and retailing high quality, effective and safe products. A significant risk refers to continuous access to raw materials that meet the quality requirements. The risks have been identified and are, essentially, reduced to manageable levels through inbuilt safety margins in the production processes and through agreements with suppliers, collaborators and customers. Vitrolife's share is extremely limited in terms of the total risk perspective connected with a treatment, but it is still diligently managed. Vitrolife's extensive quality programme is aimed at ensuring that the Group meets its own requirements as well as those set by public authorities and customers.

Information

Information pertains, among other items, to IT and the support systems required for operations to develop efficiently. Vitrolife has secured back-up systems for key functions to ensure high operational reliability and high data availability. During 2019, Vitrolife was subjected to an external cyber-attack, which resulted in investments in more powerful IT security. Moreover, Vitrolife has adapted the management of personal data as a result of the data protection regulation (GDPR).

Personnel

Vitrolife's future development is partly dependent on key individuals with specialist expertise remaining with the organisation. The Group works actively with a performance management process to minimise risks and to ensure skills supply for the entire organisation.

Insurance cover

Vitrolife conducts regular reviews together with brokers and insurance providers at both local and global levels with the aim of ensuring the correct coverage for the business and the areas of responsibility.

Legal disputes

Vitrolife has a number of patents and other intellectual property that are important to the Group. There are several other patents in the market owned by other companies and patent boundaries can sometimes be difficult to define. After closing day Vitrolife received information that a civil lawsuit has been filed against Vitrolife in Germany by Ares Trading S.A. regarding claimed infringement of three patents in the time-lapse area. Vitrolife is already involved in an appeal process regarding two of the three patents in question in the EU/Europe. For more information, see "Events after closing day" on page 35. Vitrolife is not otherwise involved in any lawsuit regarding its own or others' rights. However, there is no guarantee that such claims will not be made by or against Vitrolife in the future.

Financial risks

Currency risks

In terms of cash-flow risks, Vitrolife's largest exposure is to EUR value changes, since 38% (40) of sales are in this currency. The Group also has considerable cash flow exposure to CNY as 14% (15) of sales are in this currency. The majority of costs are in SEK, USD and DKK. In 2020, no forward cover has been entered into in accordance with the policy, whereby no currency hedge agreements are to be entered into.

Interest-rate risks

Vitrolife did not have any external bank loans during 2020 and interest-rate risk is thus assessed to be limited.

Credit risks

At the closing date, Vitrolife had accounts receivable outstanding of SEK 216 million (233). Vitrolife uses the simplified model for

expected credit losses related to accounts receivable, whereby provisions for expected bad debt losses are made in an amount corresponding to expected credit losses during the entire lifetime of the receivable and are already recognised at the first reporting date. Historically, Vitrolife has had low credit losses since customer demand is stable. Even during the sharply reduced demand in the spring as a result of the pandemic, customers generally displayed a good ability to pay.

For more detailed information about financial instruments and risk management, refer to Note 2 and 25, respectively. For information about critical estimates and assessments, refer to Note 3.

Seasonal effects

Vitrolife's sales are affected relatively marginally by seasonal effects. There is often a downturn in orders prior to and during holiday periods. The reason that orders decline before holiday periods is that fertility clinics minimise their stocks, primarily of media, as these have a relatively short shelf life, so as not to risk scrapping. The biggest negative impact of holiday periods is the third quarter when the holiday periods fall in Europe. During the first quarter, sales in China are negatively impacted by the Chinese New Year, which falls in January or February. Sales in December are negatively affected in the fourth quarter by the Christmas and New Year holidays. Altogether, total sales are usually relatively even between the first and second half-year.

Summary of guidelines for remuneration of executive management

The Annual General Meeting of 15 June 2020 resolved to adopt policies for remuneration and other terms of employment for the CEO and the other executive management in accordance with the following:

Remuneration paid to the CEO and other executive management comprises basic salary, variable remuneration, pension and other benefits. The guidelines apply until the 2021 Annual General Meeting, unless a general meeting of shareholders decides otherwise. The guidelines do not cover remuneration decided by a general meeting of shareholders, such as fees for Board members or share-based incentive programmes. All pension benefits are defined-contribution plans. Variable remuneration is prepared by the Remuneration Committee and decided by the Board.

The guidelines' promotion of Vitrolife's business strategy, long-term interests and sustainability

Vitrolife's business objective is to be the leading supplier of products and services that reduce the time to having a healthy baby and improve IVF clinics' effectiveness and control. In order to achieve this, the Group employs a strategy of growth-promoting priorities and measures that increase effectiveness. In addition, there is great focus on the employees. Vitrolife's strategies are based on a values-steered culture and core values of sustainability and societal commitment. The Group's business concept results in cooperation that creates an efficient and strong Group. Vitrolife's vision, strategy and various objectives are described in further detail on pages 8-9.

Successful implementation of Vitrolife's business strategy and the safeguarding of the Group's long-term interests, including its sustainability, rely on the Group recruiting and retaining qualified employees with the right competence. To achieve this, it is necessary that Vitrolife can offer competitive remuneration. The guidelines allow executives to be offered competitive total remuneration.

Long-term share-related incentive programmes have been established at Vitrolife. They have been decided by the Annual General Meeting and are therefore not covered by these guidelines.

The programmes comprise the CEO and other key persons. The performance standards used to assess the outcome of the programmes are clearly linked to the business strategy and to Vitrolife's long-term creation of value, including sustainability. The variable remuneration aims to promote the Group's business strategy and long-term interests, including sustainability.

Fixed basic salary

The fixed basic salaries of the CEO and other executive management are reconsidered each year. The allocation between basic salary and, where appropriate, variable remuneration should be proportionate to the executive's responsibility and authority. The group other executive management consists of seven people: two women and five men. The composition and size of this group can change over time as a consequence of how the business develops.

Variable remuneration (STI)

The CEO's variable remuneration is capped at a maximum of 75% of annual salary. For other executive management, variable remuneration is capped at a maximum of 50% of annual salary. The variable remuneration for the CEO and other executive management is based on the outcome of two quantitative parameters compared with set targets. The quantitative parameters relate to Vitrolife's sales and income (EBITDA). The total cost to the company of the total variable remuneration for the CEO and other executive management is not permitted to exceed SEK 19,000,000 (including social security expenses).

Other

The notice period for the CEO is a maximum of 12 months and for other executive management is between three and six months. In case of termination by the company, a severance payment of up to 12 months' salary is payable to the CEO. No severance payment is payable to the other executive management in the event of termination of their employment. The Board may decide to temporarily depart from the guidelines fully or partially if, in an individual case, particular reasons exist for so doing and a deviation is necessary to protect the Group's long-term interests, including sustainability, or to ensure the Group's financial stability. As has been stated above, the Remuneration Committee's tasks include preparation of the Board's decisions regarding questions of remuneration, which also includes decisions on deviation from the guidelines.

Deviation in 2020 from the guidelines regarding variable remuneration

Variable remuneration for the CEO and other executive management is based on the outcome of two quantitative parameters compared with set targets. As a result of the considerable impact of the pandemic on Vitrolife's business, the targets were not met either fully or partially. Given that the executive management were successful in minimising the negative effects of the pandemic on Vitrolife's business, the Board decided that target achievement for 2020 should amount to a third of the maximum level.

Long-term incentive programme 2018

The performance target set by the Board for the 2020 financial year with regard to the long-term incentive programme adopted by the 2018 Annual General Meeting amounted to SEK 4.60 EBITDA per share, recalculated for the 5:1 split, with payment pro-rata in the interval SEK 3.99 – 4.60 EBITDA per share. The outcome for 2020 was SEK 4.18 EBITDA per share. The target was thus partially met and payment of the performance amount to participants will be pro-rata during 2021 in accordance with the agreement. For more information, see www.vitrolife.com.

Long-term incentive programme 2019

Vitrolife has a share-related incentive programme outstanding in accordance with the resolution adopted by the 2019 Annual General Meeting. The total cost for the Group regarding payment of the Matching and Performance Amounts in accordance with this amounts to a maximum of SEK 6,700,000 over a five-year period. Vitrolife's outstanding obligation for this programme consists of Performance Amounts, which in total can amount to a maximum of approximately SEK 1,300,000. For more information, see www.vitrolife.com.

Long-term incentive programme 2020

The 2020 Annual General Meeting adopted the Board's proposal to introduce a long-term incentive programme (LTIP 2020) for certain key employees in order to encourage a personal long-term shareholding in Vitrolife and also to increase and strengthen opportunities for recruiting, retaining and motivating employees. The aim was also to use LTIP 2020 to align the interests of employees with those of shareholders. See below for a summary of the terms and conditions. For more information, see www.vitrolife.com.

LTIP 2020 is aimed at certain key employees in the Group. Participants are based in Sweden and other countries where the Group operates. Each participant is entitled, after the end of a qualifying period, conditional upon continued employment (with the exception of "Good Leavers"), and dependent on the meeting of particular performance standards linked to Vitrolife's EBITDA per share, to receive an allotment of Vitrolife shares ("Performance Shares"). Allotment of Performance Shares to participants shall be free of charge. Performance Shares shall consist of ordinary shares.

LTIP 2020 is aimed at a maximum of 8 employees, divided into 2 categories of participants:

Category 1 (max 1 person): a maximum of 12,000 shares per person.

Category 2 (max 7 persons): a maximum of 4,000 shares per person.

Allotment of Performance Shares under the LTIP 2020 programme will be carried out for a limited period of time after the 2023 Annual General Meeting. The period up until this date is a qualifying period (vesting period). A condition for a participant being entitled to receive an allotment of Performance Shares is that the participant continues to be employed at Vitrolife during the entire qualifying period up until allotment. In addition, for allotment of Performance Shares it is necessary that performance standards linked to Vitrolife's EBITDA are met. The Board shall determine the customary definition of Good Leavers and whether any allotment is to be given to participants considered to be a Good Leaver.

Performance standards are based on the average growth rate of Vitrolife's EBITDA per share as from the 2020 financial year up until the 2022 financial year (with the 2019 financial year as a benchmark). The minimum level has been set at 4% and the maximum level at 12%. 0% of the Performance Shares will be vested at or under the minimum level. 100% of the Performance Shares will be vested at or above the maximum level. The number of shares that may be allotted increases linearly between the minimum and maximum levels. Shareholders will be informed of the outcome after the allotment of Performance Shares to participants. Before allotment of Performance Shares the Board shall assess whether the allotment is reasonable in relation to the Group's financial results, position and development, as well as other factors.

If there are considerable changes within the Vitrolife Group or in the market, which in the assessment of the Board would mean that the conditions for allotment/transfer of shares in accordance with LTIP

2020 are no longer reasonable, the Board has the right to carry out an adjustment of LTIP 2020, including, amongst other things, the right to reduce the number of Performance Shares allotted/transferred, or to not allot/transfer any Performance Shares at all.

LTIP 2020 has been recognised in accordance with "IFRS 2 – Share-based Payment". According to IFRS 2, allotment of shares shall be recognised as a personnel cost during the qualifying period and shall be recognised directly in equity. Personnel costs in accordance with IFRS 2 do not affect Vitrolife's cash flow. Social security expenses will be expensed in the income statement through provisions on an ongoing basis. The size of these provisions is revalued on the basis of the development in value of the right to Performance Shares and the social security expenses that may be paid upon allotment of Performance Shares.

The Annual General Meeting resolved to enter into share swap agreements with a third party to hedge the financial exposure in LTIP 2020. During the year Vitrolife entered into share swap agreements with SEB for the hedging of 52,568 shares (maximum number of shares in LTIP 2020 and associated social security expenses).

Outlook

As the standard of living rises in most developing countries, more and more people are choosing to wait before having children. This trend, which has existed in the West for decades, leads to reduced fertility, which in turn drives the fertility treatment market.

On the basis of current sales levels, the trend during the fourth quarter and the signals that the company has received from customers, Vitrolife estimates that the first quarter of 2021 will also be negatively impacted by reduced demand as a result of Covid-19. The increased Covid-19 infection rates increase the uncertainty surrounding the recovery. Vitrolife assesses that clinics will give priority to normal operations rather than capital expenditure and thus the recovery with respect to single-use products is expected to go faster than for durable goods. Vitrolife estimates that the great majority of patients now postponing IVF treatment will have this carried out at a later date, which may mean that there will be pent-up demand for IVF treatment after the crisis.

Vitrolife estimates that the long-term market outlook is largely unchanged and the Group therefore anticipates a constantly expanding market, which in monetary terms is expected to grow by 5-10 percent per year in the foreseeable future. Vitrolife will also focus on expanding sales and broadening the product offering in the time ahead.

Events after closing day

The Board's proposal for dividend amounts to SEK 87 (-) million, corresponding to SEK 0.80 (-) per share.

After closing day Vitrolife received information that a civil lawsuit has been filed against Vitrolife in Germany by Ares Trading S.A. regarding claimed infringement of three patents in the time-lapse area. Vitrolife will dispute the lawsuit. Vitrolife is already involved in an appeal process regarding two of the three patents in question in the EU. Vitrolife has not included any provision for the lawsuit in the annual accounts as in Vitrolife's assessment there has been no infringement of any patent.

No other events have occurred after closing day that significantly impact the assessment of the financial information in this report.

Parent Company

Business activities focus on Group-wide administration. The Parent Company's income derives from invoicing of management fee and further invoicing of other costs of SEK 19 million (22).

Proposed appropriation of profit

The Board and the CEO propose that the funds available of SEK 759,627,480 be appropriated as follows:

Dividend (0,80 SEK)	86,840,460 SEK
Carried forward	672,787,020 SEK
Total	759,627,480 SEK

The proposed dividend lies within the scope of the profit distribution policy adopted by Vitrolife, refer to page 36. It is the considered opinion of the Board that the Group's restricted shareholders' equity is fully covered following distribution of the proposed dividend. Furthermore, the Board also concludes that the proposed distribution to shareholders is justified considering the parameters stated in Chapter 17 Section 3, second and third paragraphs of the Swedish Companies Act (the nature, scope and risks of the business as well as consolidation needs, liquidity and overall position).

The financial statements were approved for publication by the Board of the Parent Company on 24 March 2021.

Regarding Vitrolife's earnings and position in other respects, refer to the following income statements, statements of financial position and cash-flow statements together with the associated notes.

CORPORATE GOVERNANCE REPORT



Corporate governance – introduction

Good corporate governance ensures that Vitrolife is run as efficiently as possible in the interests of its shareholders.

During the year the Board and the executive management together determined Vitrolife's strategic focus for the coming years. The Board also discussed risks and opportunities related to the pandemic, for example regarding opportunities for acquisitions.

Another part of the Board's responsibility concerns the follow-up of internal control and compliance. During the year the Board evaluated Vitrolife's internal control through the work of the Audit Committee. This was based, amongst other things, on reports

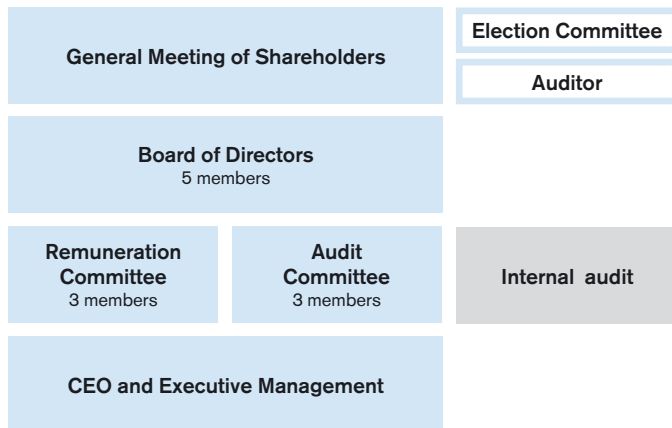
from the internal audit function and the external auditor.

Furthermore, the Board and the executive management continued the work of ensuring that Vitrolife is run in a sustainable manner, amongst other things by providing further resources to coordinate sustainability work in the Group.

To summarise, in my assessment and that of the rest of the Board, Vitrolife is well-positioned to take advantage of the opportunities for growth in the IVF market in the time ahead.

Jón Sigurdsson
Chairman of the Board

Governance structure



Vitrolife's ten largest shareholders

Shareholders	No. of shares	Shares and votes, %
William Demant Invest A/S	28 649 775	26.4
Bure Equity AB (publ)	20 573 285	18.9
State Street Bank and Trust Co, W9	13 349 469	12.3
BNY Mellon SA/NV (Former BNY), W8IMY	2 737 931	2.5
JP Morgan Bank Luxembourg S.A.	2 561 381	2.4
Goldman Sachs & Co. LLC, W9	2 035 338	1.9
CBNY-Norges Bank	1 976 083	1.8
Eccenovo AB	1 690 000	1.6
SEB Investment Management	1 544 088	1.4
JP Morgan Chase Bank N.A.	1 289 406	1.2
Other shareholders	32 143 819	29.6
Total	108 550 575	100.0

Source: Euroclear Sweden's shareholder register at 31 December 2020.

Vitrolife AB (publ) is a Swedish public limited company listed on NASDAQ Stockholm. The corporate governance policies applied by Vitrolife are based on Swedish legislation, primarily the Swedish Companies Act and the Swedish Annual Accounts Act, and NASDAQ Stockholm AB's regulations. Furthermore, they also comply with the provisions in the Swedish Corporate Governance Code (the "Code") and pertain to the 2020 financial year. Further information about corporate governance at Vitrolife is available at www.vitrolife.com.

Shareholders

According to Euroclear Sweden's shareholder register, Vitrolife had 10,601 shareholders at 31 December 2020 (10,064), and the proportion of shareholders with registered addresses outside Sweden was 62% (59). The ten largest shareholders on 31 December 2020 are specified below in the table above.

Shares

On 31 December 2020, the share capital of Vitrolife AB (publ) was SEK 22,144,317 (22,144,317) allocated among 108,550,575 (108,550,575) shares. The shares are traded on NASDAQ Stockholm. At 31 December 2020, Vitrolife's market capitalization was SEK 23,425 million (21,439). All shares carry the same number of votes and entitle shareholders to equal shares in Vitrolife's assets and earnings.

Dividend policy

Vitrolife's Board and CEO intend to propose, on an annual basis, a dividend or other corresponding distribution that on average and over time corresponds to 30% of the year's net profit after paid tax. Decisions regarding the proposed dividend or its equivalent will take into account the Group's future profits, financial position, capital requirements and position in general. Vitrolife's net debt to EBITDA ratio should in normal circumstances not exceed a multiple of three.

General meetings of shareholders

Vitrolife's highest decision-making body is the general meeting of shareholders. The Annual General Meeting (AGM) is held within six months of the end of the financial year. Notice convening the AGM is issued no earlier than six and no later than four weeks prior to the meeting. All shareholders entered in the shareholders' register and who have notified their intent to attend in time are entitled to participate and vote at the meeting. Shareholders who are unable to attend may be represented by a proxy.

2020 Annual General Meeting

The previous AGM was held in Gothenburg on 15 June 2020. Board members Jón Sigurdsson, Pia Marions and Henrik Blomquist were present at the AGM via link. Furthermore, Deloitte represented by Fredrik Jonsson and Harald Jagner and the Election Commit-

tee's member Patrik Tigerschiöld were present at the AGM. The AGM resolved to re-elect Board members Henrik Blomquist, Lars Holmqvist, Pia Marions and Jón Sigurdsson and elect Karen Lykke Sørensen according to proposal from the Election Committee. Board member Barbro Fridén resigned during the fourth quarter of 2019. Jón Sigurdsson was re-elected Chairman of the Board. Deloitte AB was re-elected as Vitrolife's auditor for a term of 3 years.

A resolution was passed to adopt Board fees of a total of SEK 2,165,000, of which SEK 825,000 to the Chairman, SEK 275,000 to each of the other Board members, SEK 60,000 to the Chairman of the Audit Committee, SEK 60,000 to the Chairman of the Remuneration Committee and SEK 30,000 to the other members of these committees.

A resolution was adopted that no dividend for the 2019 financial year was to be paid, in accordance with the Board's proposal.

The Board was authorised, for the period until the next AGM, to decide on one or more occasions to make a new issue of a maximum of 10,850,000 shares corresponding to slightly less than 10% of Vitrolife's share capital. The Board was authorised, for the period until the next AGM, to decide on one or more occasions to buy back Vitrolife's own shares. At any one moment in time, treasury shares are permitted to amount to a maximum of 10% of all shares in the company.

The proposed remuneration policies and other terms of employment for the executive management were adopted including the introduction of a share-based incentives programme.

Election Committee

On 28 October 2020, the following individuals were announced as members of Vitrolife's Election Committee ahead of the 2021 AGM:

Niels Jacobsen, appointed by William Demant Invest A/S
 Patrik Tigerschiöld, appointed by Bure Equity AB
 Wendy Wang, appointed by Morgan Stanley Investment Management Inc.
 Jón Sigurdsson, Chairman of the Board

The appointments were made in compliance with the instruction regarding the principles for appointing an Election Committee for the company, which were adopted by Vitrolife's AGM on 15 June 2020.

The Chairman of the Board is tasked to not later than the end of the third quarter each year ensure that the three largest shareholders or groups of shareholders in terms of the number of votes they hold get the opportunity to appoint a member to the Election Committee. If any of these three shareholders should refrain from appointing a member of the Election Committee, the next largest shareholder is contacted and asked to appoint a member of the Election Committee. The term of office is one year. The Chairman of the Board is a member of the Election Committee and calls the first meeting of the Election Committee. Thereafter, a chairman is appointed for the Election Committee, who should not be the Chairman of the Board.

Given the needs of the Group and the diversity policy, the Election Committee is tasked with assessing, inter alia, the competence and qualities that the Board members should possess. The aim is to create an appropriate Board composition, whereby the Board members' combined competence and experience provide a broad base that corresponds well to the phase and the market conditions in which Vitrolife operates. The Committee keeps itself updated regarding general trends for remuneration issues for listed Swedish companies.

The Election Committee's assessment is that no Board member other than Jón Sigurdsson and Henrik Blomquist are dependent in relation to the company, the executive management or the company's major shareholders. Jón Sigurdsson is the CEO of Össur, whose principal owner William Demant Invest A/S owns about 26% of the shares in Vitrolife. Henrik Blomquist is the CEO of Bure Equity AB which owns about 19% of the shares in Vitrolife.

Ahead of the AGM in April 2021, the Election Committee will submit proposals for the Chairman of the AGM, the number of Board members, the Chairman of the Board and other elected Board members. The Election Committee will also submit proposals regarding fees for work on the Board and its committees. No separate remuneration has been paid by the company to members of the Election Committee for their work on the Committee.

2021 Annual General Meeting

The AGM will be held on 28 April 2021 in Gothenburg. Shareholders are notified through an announcement in the Swedish Official Gazette and Dagens Industri that a general meeting has been called no more than six weeks and no less than four weeks prior to the general meeting. Shareholders who wish to have an issue addressed by the general meeting can make a written request to this effect to the Board. Any such request to address an issue must be sent to Vitrolife AB (publ), Att: Chairman of the Board, Box 9080, SE 400 92 Gothenburg, Sweden, and must be received by the Board not later than seven weeks prior to the general meeting, or in any case in time for the issue, if required, to be included in the notice convening the general meeting. More information is available at www.vitrolife.com.

In accordance with the dividend policy, the Board and CEO intend to propose that the AGM resolve in favour of a dividend of SEK 0.80 per share.

Board of Directors

General

The Board is responsible for the company's administration of its affairs and organisation. At the 2020 AGM in June, five Board members were elected with competence in medical devices as well as within the areas of finance and strategy. Vitrolife's CFO Mikael Engblom served as the Board's secretary during the year. In 2020, the Board held 11 meetings (11), all of which were minuted.

The CEO and CFO have presented issues at the Board meetings. The remuneration and other benefits paid to Board members of Vitrolife are detailed in Note 8. The Board members' shareholdings in Vitrolife are set out on page 40.

The Board's work

Each year, the Board is to convene for a minimum of four scheduled meetings, equally distributed over the year, and one statutory Board

Board members attendance

Name	Year elected	Dependent	Attendance Board meetings	Attendance Remuneration Comm.	Attendance Audit Comm.
Henrik Blomquist	2019	x	11/11		5/6
Lars Holmqvist	2018		9/11		5/6
Karen Lykke Sørensen	2020		5/5	2/2	
Pia Marions	2013		11/11		6/6
Jón Sigurdsson	2015	x	11/11	3/3	

Dependent = As defined by the Swedish Corporate Governance Code.

meeting. The meetings are held in the form of physical and digital meetings.

The Chairman leads and organises the Board's work. A proposed agenda and decision data regarding the items to address at the meeting are sent ahead of each meeting. The proposed agenda is drawn up by the CEO in consultation with the Chairman. Items presented to the Board are for information purposes, discussion or decision. Decisions are only taken following discussion and after all members present have been given the opportunity to be heard. The Board's extensive experience in various areas generates constructive and open discussion. During the year, no Board member registered dissent with regard to any Board decision. Any open issues are followed up on an ongoing basis.

The Board's formal work plan was adopted at the statutory Board meeting on 15 June 2020 and is revised each year. The plan regulates areas such as the allocation of responsibilities, number of scheduled meetings, the form of notifications, decision data and minutes, conflicts of interest, mandatory items to be submitted by the CEO to the Board and authorised signatories. The Board addresses ongoing items such as business conditions, interim reports, forecasts, strategies and external information.

In addition to the Board material, the CEO submits monthly reports containing a financial report and a description of current events in operations and in the market. The aim is to keep the Board informed about the development of Vitrolife's operations to enable the Board to take well-founded decisions. Once each year, the Board holds a meeting that evaluates the work of the CEO, which the executive management does not attend. The Board ensures the quality of the financial reporting through its own work, the work of the Audit Committee and through contact with the auditors. Vitrolife's auditors participated at the meeting addressing the annual accounts, where the audit results were reported, and at meetings of the Audit Committee. At the Board meeting, the auditors also met with the Board without attendance of the executive management.

During the year a Board evaluation was carried out in the form of an oral evaluation of the Board. The result showed that the Board was functioning well.

Diversity policy

Vitrolife's Board applies the requirements of the Swedish Corporate Governance Code regarding diversity, breadth, gender distribution, age and independence as its diversity policy. The composition of the Board shall be appropriate to Vitrolife's business, stage of development and general position. It shall be characterised by diversity and breadth with regard to the competence, experience and background of the Board members elected by the Annual General Meeting. An even gender distribution shall be aimed for.

Sustainable business guidelines

Vitrolife's Board has issued guidelines for the Group's societal conduct that are aimed at securing Vitrolife's long-term capacity to create value. Vitrolife aims to endeavour to add value for its customers, employees, shareholders and other stakeholders by maintaining healthy profitability while offering goods and services in the international market. In parallel, the Group is to maintain a high ethical standard and be a good corporate citizen on the world stage. Vitrolife and its employees should comply with legislation in the respective countries in which Vitrolife operates. Vitrolife should follow the applicable international and national codes of conduct and Vitrolife's Code of Conduct. In situations where neither national legislation nor Vitrolife's Code of Conduct provide any guidance, the Group's own norms are applied, which are based on Vitrolife's values and culture.

Members of the Board

Vitrolife's Board comprises five members, including the Chairman. For personal details about the Board members and their shareholdings, refer to page 40.

Guidelines for remuneration of the executive management

The AGM on 15 June 2020 resolved to adopt the policies for remuneration and other employment terms for the CEO and other executive management. Remuneration comprises basic salary, variable remuneration, pension and other benefits as detailed in the Management Report on page 33-35 and in Note 8.

Each year, the Board is tasked with evaluating whether any sort of share-related incentive programme should be proposed to the AGM. Currently, Vitrolife has three share-related incentive programmes outstanding, which were adopted by the 2018, 2019 and 2020 AGMs. For further information, refer to page 33-35.

The remuneration policy is evaluated each year and submitted to the AGM for resolution.

Remuneration Committee

Vitrolife's Remuneration Committee assists the Board in preparing items and decision data pertaining to remuneration issues for the executive management. The Remuneration Committee's areas of responsibility are defined in the Board's formal work plan and in the Remuneration Committee's instruction. The Group's guidelines for remuneration of the executive management are included in the Management Report on page 33-35.

Karen Lykke Sørensen was appointed Chairman of the Committee and Jón Sigurdsson and Henrik Blomquist as Committee members. All members are deemed independent in relation to Vitrolife and the executive management.

Audit Committee

Vitrolife's Audit Committee assists the Board with the work of monitoring the company's and the Group's financial reporting and the internal control. The Audit Committee's areas of responsibility are defined in the Board's formal work plan and in the Audit Committee's instruction.

Pia Marions was appointed Chairman of the Committee and Lars Holmqvist and Henrik Blomquist as Committee members. All members are deemed independent in relation to Vitrolife and the executive management.

During the year, the Audit Committee considered issues including the internal control, internal audits, external audits, accounting policies, significant valuation issues, external reporting, financial risk management, compliance and significant estimates and judgements in the financial reporting.

Executive management

For personal details about the executive management and their shareholdings, refer to page 41.

Election of auditors

The 2020 AGM resolved in line with the proposal of the Election Committee to re-elect Deloitte AB, as the Company's auditor for a mandate period of three years. Harald Jagner replaced Fredrik Jansson as the Principal Auditor of Deloitte AB at the AGM. The auditors have no assignments in any companies that are closely linked to Vitrolife's principal shareholders and have confirmed their independence towards Vitrolife.

The Principal Auditor has reported his observations from the audit to the Board and the Audit Committee. The annual report, accounts and the administration of the Board and the CEO were examined within the scope of the above work. In addition to the audit assignment, which is paid according to customary invoicing norms, Deloitte AB has provided consultancy and audit-related services amounting to about SEK 0.2 million during the financial year.

The Board's description of the key elements in Vitrolife's system for internal control, follow-up and risk management

The Board's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. The Board is responsible for ensuring that Vitrolife has good internal control. The Board's description is limited to a description of how the internal control regarding financial reporting are organised and it pertains to the 2020 financial year.

The objective of internal financial control at Vitrolife is to ensure the accuracy of the financial reporting. Furthermore, to create an efficient decision process in which requirements, targets and frameworks are clearly defined. Ultimately, the controls aim to protect the Group's assets and, thereby, the shareholders' investments.

Control environment

The control environment forms the basis for the internal control. Vitrolife's control environment includes healthy values, integrity, competence, leadership philosophy, organisational structure, responsibility and authorities. Vitrolife's internal work procedures, instructions, policies, guidelines and manuals provide guidance to the employees. At Vitrolife, a clear allocation of roles and responsibilities for efficient management of operational risks is ensured through measures including the Board's formal work plan, the Audit Committee's instruction and the instruction for the CEO. The CEO reports regularly to the Board, even between Board meetings; refer to page 37-38 and the section under "The Board's work." The CEO is responsible, in terms of the operating activities, for the system of internal controls required to construct a control environment for handling significant risks. Vitrolife also has guidelines and policies for financial governance and follow-up as well as communication issues. Frameworks are in place for credit and currency management.

Risk assessment

Vitrolife works with risk analysis on an ongoing basis to identify potential sources of error in the financial reporting. Refer to the Management Report on page 32-33 and to Note 2 for information about financial risks. The risk of material misstatements in the financial statements can occur in conjunction with the accounting for and valuation of assets, liabilities, income and expenses, or from deviations from the disclosure requirements. Vitrolife's risk assessment of the financial statements aims to identify and evaluate the most material risks.

Control activities

Control activities are primarily aimed at preventing, identifying and correcting errors in the financial reporting based on an established system. Vitrolife conducts a detailed follow-up each month of various activities at account level with the aim of analysing deviations and identifying material errors in the accounting. Vitrolife also performs a monthly analysis of the Group's subsidiaries' assets and liabilities. Vitrolife has also an internal audit function to strengthen the internal control through measures including internal audits of the Group's subsidiaries. Internal audits are carried out by means of self-assessment, interviews and random checks. Vitrolife has an Audit Committee that contributes to expanded control of the Group's financial reporting and follow-up of internal audits.

Follow-up

The Board continuously evaluates the information submitted by the executive management, which comprises both financial information and material issues pertaining to the internal control. The Board and the Audit Committee continuously follow up the effectiveness of the internal control, which, in addition to ongoing updates for deviations, are carried out, inter alia, by ensuring that measures are implemented in respect of the proposed actions that may have arisen through external and internal audits. The Audit Committee specifically addresses issues pertaining to internal controls. Systems are in place to ensure uniform procedures for following up internal controls when visiting subsidiaries, including reporting back to the Board.

Information and communication

Proper disclosures and clear lines of communication, both internal and external, mean that all parts of operations exchange and report relevant, significant operational data in an efficient manner. To achieve this, Vitrolife has issued a communication policy regarding information management in the financial process, as well as policies and guidelines for other types of information. The executive management has communicated these to the employees, and they can also be accessed by all employees through the Vitrolife intranet. Guidelines have been set out for how communication with external parties should take place, who is authorised to provide certain types of information and when a logbook should be kept. The ultimate aim of the aforementioned policies is to ensure compliance with disclosure requirements pertaining to legislation and listing agreements, and that investors receive the correct information in time.

BOARD OF DIRECTORS



Jón Sigurdsson Chairman of the Board

Born 1956. B.Sc. in Industrial Engineering, Master's degree in Business Administration (MBA). Board member since 2015. Member of Remuneration Committee.

Independent of Vitrolife and executive management.

Other assignments: President and CEO at Össur. Chairman of the Icelandic American Chamber of Commerce.

Previous assignments: Commercial Counselor for the Icelandic Trade Council in New York, CFO at Álafoss, Head of the International Division of Eimskip and Engineer for Bang and Olufsen Denmark.

Shareholding in Vitrolife*: 30,400 shares.



Henrik Blomquist

Born 1971. University studies in Business Administration. Board member since 2019. Member of Audit Committee and Remuneration Committee.

Independent of Vitrolife and executive management.

Other assignments: CEO of Bure Equity AB. Chairman of the board of Mercuri International Group AB, Investment AB Bure and Bure Growth AB. Board member in MedCap AB, Atle Investment Management and Atle Investment Services.

Previous assignments: Experience of investment operations and corporate development. Investment manager at Skanditek Industriförvaltning, analyst in ACR Venture Management.

Shareholding in Vitrolife*: 0 shares.



Lars Holmqvist

Born 1959. M.Sc. in Business Administration. Board member since 2018. Member of Audit Committee.

Independent of Vitrolife, executive management and Vitrolife's major shareholders.

Other assignments: Chairman of the board in Biovica International AB. Board member in the Lundbeck Foundation, H Lundbeck A/S, ALK-Abelló A/S, Tecan AG and Naga Top.-Co UK.

Previous assignments: Senior Advisor within healthcare at Bain Capital. Senior management positions in pharma and medtech companies including Agilent, Dako, Applied Biosystems Inc., Medtronic Europe Sarl, Boston Scientific Europe and Pharmacia.

Shareholding in Vitrolife*: 0 shares.



Pia Marions

Born 1963. M.Sc. in Business and Economics. Board member since 2013. Chairman of Audit Committee.

Independent of Vitrolife, executive management and Vitrolife's major shareholders.

Other assignments: CFO of Skandia. Board member in Duni, Skandiabanken, Skandia Fastighet and Svenska Revisionsakademin.

Previous assignments: CFO of Folksam, CFO of Carnegie Group, senior positions at RBS (Royal Bank of Scotland), Skandia Liv, Länsförsäkringar Liv, Swedish Financial Supervisory Authority (Finansinspektionen) and has worked as certified public auditor.

Shareholding in Vitrolife*: 5,000 shares.



Karen Lykke Sørensen

Born 1962. Master of Science, Danish Technical University and MBA, INSEAD. Board member since 2020. Chairman of Remuneration Committee.

Independent of the Vitrolife, executive management and Vitrolife's major shareholders.

Other assignments: CEO of Philips Capital.

Previous assignments: Senior management positions in Philips, Sanofi and Biogen. Board member of MEDA, Orifarm, Danish Technical University/SCION and EKF: Danish Export Credit Fund (Ministry of Foreign Affairs)

Shareholding in Vitrolife*: 0 shares.

EXECUTIVE MANAGEMENT



Thomas Axelsson
Chief Executive Officer
(CEO)

Born 1959. Employed in 2011.

Other assignments: -

Previous assignments:

Experience as CEO of the publicly traded companies Stille and Artema and several unlisted medical device companies. Extensive experience as member of the Board of listed companies such as Medivir and Medcap and also Chairman of the Board of other unlisted companies mainly within the Life Science sector. Business Unit Director at Baxter.

Shareholding in Vitrolife*:
50,500 shares.



Claus Bisgaard
Vice President
Technology

Born 1977. M.Sc. Industrial Engineering and MBA. Employed 2017.

Previous assignments: General Manager of Sirona Dental A/S, various management positions in Vestas, Management Consultant at Bestshore Business Solutions.

Shareholding in Vitrolife*:
1,255 shares.



Mikael Engblom
Chief Financial Officer
(CFO)

Born 1977. M.B.A. Employed in 2007.

Previous assignments: Controller at Vitrolife and controller within R&D at Volvo Cars.

Shareholding in Vitrolife*:
13,929 shares.



Rickard Ericsson
Chief Sales & Marketing
Officer (CSMO)

Born 1971. M.Sc. Industrial Engineering and Management. Employed in 2015.

Previous assignments: Business Development Director Europe at SCA Incontinence Care, Sales and Marketing Director UK & Ireland at SCA Incontinence Care, Management Consultant at Adera and Business Development Manager / Key Account Manager at Telia.

Shareholding in Vitrolife*:
7,150 shares.



Maria Forss
Vice President
Consumables

Born 1972. MScBA. Employed in 2012.

Other assignments: Board member in LIDDS AB.

Previous assignments: Head of business development at Aqilion (former PULS), CEO of Duocort Pharma and various management positions within Astra Zeneca. Member of the board of Oncorena AB.

Shareholding in Vitrolife*:
12,900 shares.



Mark Larman
Chief Scientific Officer
(CSO)

Born 1974. PhD. Employed in 2017.

Previous assignments: Senior Director Clinical Product Management at Progyny, Media Development Manager and Senior Scientist at Vitrolife, Senior Research Fellow at University of Melbourne, Australia.

Shareholding in Vitrolife*:
3,082 shares.



Fredrik Mattsson
Senior Vice President
New Business &
Strategic Development

Born 1972. M.Sc. Industrial Engineering and Management. Employed in 2018.

Other assignments: Chairman of the Board in BioLamina AB.

Previous assignments: Chairman of the Board in Xvivo Perfusion AB. Board member in Vitrolife AB (publ). Investment Director at Bure Equity AB. CEO of Anew Learning and senior positions within Gambro.

Shareholding in Vitrolife*:
32,230 shares.



Karin Koritz Russberg
Vice President Global HR
& Sustainability

Born 1969. BSc Psychology, Gothenburg University. Employed in 2020.

Previous assignments: Head of Group HR & Sustainability at Semcon. Global Talent Management Director, Volvo Group. HR Director Volvo Trucks.

Shareholding in Vitrolife*:
1,000 shares.

* Shareholding include those of spouses, children and closely related companies.

INCOME STATEMENTS WITH COMMENTS

SEK thousands	Note	Group		Parent Company	
		2020	2019	2020	2019
	2,3				
Net sales	4,5	1 245 572	1 480 132	19 130	22 052
Cost of goods sold		-477 905	-541 480	-	-
Gross income		767 667	938 652	19 130	22 052
<i>Comprising</i>					
Adjusted gross income		792 251	980 936	19 130	22 052
Amortisation of acquisition-related intangible assets		-24 585	-42 284	-	-
Gross income		767 667	938 652	19 130	22 052
Selling expenses		-196 927	-231 582	-	-
Administrative expenses		-114 424	-119 382	-21 473	-22 533
Research and development expenses		-91 759	-99 515	-	-
Other operating revenue	6	11 492	307	77	74
Other operating expenses	7	-6 034	-534	-	-92
Operating income	8,9,10,12,26	370 015	487 946	-2 267	-499
<i>Comprising</i>					
Adjusted operating income		394 600	530 230	-2 267	-499
Amortisation of acquisition-related intangible assets		-24 585	-42 284	-	-
Operating income		370 015	487 946	-2 267	-499
<i>Net financial items</i>					
	11,12				
Financial income		9 689	7 452	9 415	6 901
Financial expenses		-13 514	-2 704	-4 224	-19
Income after financial items		366 191	492 694	2 925	6 383
Income taxes	13	-78 325	-108 855	2 292	-2 118
Income for the year		287 865	383 839	5 216	4 264
Attributable to					
Parent Company's shareholders		286 845	382 785	5 216	4 264
Non-controlling interests		1 020	1 054	-	-
Depreciation, amortisation and impairment		-84 070	-99 388	-	-
Earnings per share*, SEK	21	2.64	3.53	-	-

* Before and after dilution.

Group

Sales amounted to SEK 1 246 million (1 480), corresponding to a decrease of 16% in SEK. Sales decreased by 13 percent in local currency. Gross income amounted to SEK 768 million (939), corresponding to a gross margin of 62% (63) and was impacted by obsolescence costs and negative economies of scale as a result of reduced sales. The gross margin was positively impacted by the product mix. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 64 (66) percent.

Selling expenses amounted to 16% (16) of sales. Selling expenses decreased in absolute terms, amongst other things, as a result of reduced costs for travelling, exhibitions and personnel. Administrative expenses amounted to 9% (8) of sales. R&D expenses amounted to 7% (7) of sales.

Operating income before depreciation, amortisation and impairment (EBITDA) amounted to SEK 454 (587) million, corresponding to a margin of 36 (40) percent. Fluctuations in exchange rates negatively impacted EBITDA by SEK 24 million. Other operating income amounted to SEK 11 million and consisted mainly of government grants to the tune of SEK 9 million due to Covid-19, primarily in

form of short-time work allowance, and adjustment of the additional purchase price related to the acquisition of Parallabs Ltd amounting to SEK 2 million.

Net financial items amounted to SEK -4 (5) million and primarily consisted of currency effects and a positive revaluation of shares in Biolamina to the tune of SEK 9 million. Income after financial items amounted to SEK 366 (493) million. Income for the year amounted to SEK 288 (384) million.

Depreciation, amortisation and impairment of SEK 84 million (99) were charged against income.

Parent Company

The Parent Company's operations focus on Group-wide administration. Income included invoicing of management fee of SEK 19 million (22).

Net financial items amounted to SEK 5 million (7) and primarily consisted of currency effects and a positive revaluation of shares in Biolamina to the tune of SEK 9 million. Income after financial items amounts to SEK 3 million (6). Positive income tax consists of current year's capitalized tax loss carry-forward and tax pertaining to last year.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Income for the year	287 865	383 839	5 216	4 264
Other comprehensive income				
<i>Items that may be reclassified to the income statement</i>				
Exchange-rate differences	-59 103	10 643	-	-
Total other comprehensive income	-59 103	10 643	-	-
Comprehensive income	228 762	394 482	5 216	4 624
Attributable to				
Parent Company's shareholders	227 923	393 377	5 216	4 624
Non-controlling interests	839	1 105	-	-

CONSOLIDATED INCOME STATEMENTS PER QUARTER

SEK thousands	Oct-Dec 2020	Jul-Sep 2020	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019
Net sales	382 387	320 148	209 166	333 870	409 486	377 991	380 731	311 924
Cost of goods sold	-130 562	-121 122	-97 973	-128 249	-156 998	-134 642	-135 823	-114 017
Gross income	251 825	199 027	111 194	205 621	252 488	243 349	244 908	197 907
Selling expenses	-48 171	-40 741	-48 751	-59 265	-62 106	-56 097	-66 130	-47 249
Administrative expenses	-26 717	-31 503	-24 735	-31 470	-25 611	-33 865	-30 732	-29 174
Research and development expenses	-26 052	-17 795	-22 261	-25 652	-30 826	-23 543	-24 576	-20 571
Other operating revenue/expenses	-3 556	3 483	963	4 569	-2 945	634	-534	2 620
Operating income	147 330	112 471	16 410	93 803	131 000	130 478	122 936	103 533
Net financial items	-9 643	508	-4 961	10 271	-7 878	6 412	-739	6 953
Income after financial items	137 688	112 980	11 449	104 074	123 122	136 890	122 197	110 485
Income taxes	-30 150	-24 390	180	-23 966	-26 673	-30 091	-27 241	-24 850
Income for the period	107 538	88 590	11 629	80 108	96 449	106 799	94 955	85 635
Attributable to								
Parent Company's shareholders	107 222	88 163	11 625	79 836	96 127	106 705	94 635	85 318
Non-controlling interests	316	427	5	272	322	94	320	317
Depreciation, amortisation and impairment	-16 868	-21 475	-23 470	-22 257	-28 543	-24 762	-23 496	-22 586
Shareholders' equity, attributable to the Parent Company's shareholders, SEK millions	2 013	1 956	1 884	1 923	1 794	1 724	1 600	1 594

STATEMENTS OF FINANCIAL POSITION WITH COMMENTS

SEK thousands	Note	Group		Parent Company	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
ASSETS	2,3,25				
Fixed assets					
Goodwill	4,14	403 239	425 842	–	–
Other intangible fixed assets	4,14	299 481	352 415	–	–
Tangible fixed assets	4,15,26	142 113	173 359	12	12
Participations in Group companies	27	–	–	772 375	771 346
Other shares and participations		14 662	5 746	14 662	5 746
Other financial fixed assets		24 798	26 928	7 019	5 304
Deferred tax assets	13	6 355	4 173	2 846	1 353
Total fixed assets		890 648	988 463	796 914	783 761
Current assets					
Inventories	16	204 027	208 820	–	–
Accounts receivable	17	216 494	233 321	–	–
Receivables from Group companies		–	–	5 928	15 686
Current tax assets		6 249	1 180	517	–
Other receivables		3 043	5 678	–	–
Prepaid expenses and accrued income	18	11 063	11 687	48	40
Cash and cash equivalents	19	973 566	689 538	293 703	217 991
Total current assets		1 414 442	1 150 224	300 196	233 717
TOTAL ASSETS		2 305 089	2 138 687	1 097 110	1 017 478

Fixed assets

Goodwill has decreased by SEK 23 million, which was attributable to exchange-rate fluctuations.

Investments in intangible fixed assets amounted to SEK 13 million (114) and consisted primarily of capitalised development costs. Amortisation amounted to SEK 51 million. Adjustment of deferred tax recorded last year in conjunction with the acquisition of Parallabs Ltd. to tune of SEK 5 million. The adjustment has been carried out in acquired assets in the form of customer relationships. The remaining changes of intangible fixed assets was attributable to negative exchange-rate fluctuations to the tune of SEK 10 million.

Investments in tangible fixed assets amounted to SEK 11 (79) million of which SEK 7 million was attributable mainly to equipment. The remaining investments of SEK 4 million was related to right-of-use assets according to IFRS 16. Depreciation amounted to SEK 33 million of which SEK 17 million relates to right-of-use assets according to IFRS 16. The remaining changes of tangible fixed assets was attributable to negative exchange-rate fluctuations to the tune of SEK 9 million.

For further information; refer to Note 14 and 15.

Other shares and participations has increased to the tune of SEK 9 million due to revaluation of shares in Biolamina in conjunction with a new share issue in the company. Vitrolife did not participate in this new share issue.

Other financial fixed assets are composed of endowment insurances for pensions, long-term accounts receivable and deposits.

Current assets

Inventories has decreased by SEK 5 million during the year, from SEK 209 million to SEK 204 million. The average inventory level was 17% (12) of net sales for the year. Accounts receivable has decreased by SEK 17 million, from SEK 233 million to SEK 216 million. Accounts receivable averaged 18% (14) of net sales for the year.

Parent Company

The Parent Company's assets largely comprise participations in Group companies. These were valued at SEK 772 million (771) at the closing date. Based on future earning potential, no impairment has been deemed necessary for shares in subsidiaries. For further information on participations in Group companies; refer to Note 27.

STATEMENTS OF FINANCIAL POSITION WITH COMMENTS

SEK thousands	Note	Group		Parent Company	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
SHAREHOLDERS' EQUITY	20,21				
Group					
Share capital		22 144	22 144	–	–
Other capital contributed		494 610	494 610	–	–
Reserves		1 924	60 846	–	–
Retained earnings incl. income for the year		1 493 892	1 216 423	–	–
Parent Company					
Restricted shareholders' equity					
Share capital		–	–	22 144	22 144
Statutory reserve		–	–	172 604	172 604
Unrestricted shareholders' equity					
Share premium reserve		–	–	322 043	322 043
Retained earnings		–	–	432 368	437 480
Income for the year		–	–	5 216	4 264
Shareholders' equity, attributable to the Parent Company's shareholders		2 012 570	1 794 023	954 375	958 535
Non-controlling interests		4 444	3 605	–	–
TOTAL SHAREHOLDERS' EQUITY		2 017 014	1 797 628	954 375	958 535
LIABILITIES	2,3,25				
Long-term provisions					
Deferred tax liabilities	13	16 211	27 273	–	–
Other provisions	23	21 503	16 619	8 845	6 570
Total long-term provisions		37 714	43 892	8 845	6 570
Long-term liabilities					
Long-term interest-bearing leasing liabilities	22	48 810	61 213	–	–
Long-term non interest-bearing liabilities		24 538	33 602	–	–
Total long-term liabilities		73 348	94 815	–	–
Current liabilities					
Short-term interest-bearing leasing liabilities	22	13 593	14 632	–	–
Accounts payable		25 922	29 314	379	48
Liabilities to Group companies		–	–	127 162	42 454
Current tax liabilities		8 792	29 772	–	1 223
Other liabilities		24 695	18 489	749	660
Accrued expenses and deferred income	24	104 012	110 145	5 600	7 988
Total current liabilities		177 014	202 352	133 890	52 373
TOTAL LIABILITIES		288 076	341 059	142 735	58 943
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2 305 089	2 138 687	1 097 110	1 017 478

Shareholders' equity and liabilities

Long-term and Short-term interest-bearing leasing liabilities decreased by SEK 12 million and SEK 1 million, respectively, compared to previous year. The decrease is entirely attributable to repayment of leasing liabilities. For further information; refer to Note 22.

Provisions are mainly composed of endowment insurances for pensions and warranty commitments for products sold.

Accounts payable averaged 2% (2) of net sales for the year. The equity/assets ratio was 88% (84).

Parent Company

The SEK -4 million (-88) change in the Parent Company's shareholders' equity was attributable to comprehensive income for the year of SEK 5 million (4), equity compensation benefit of SEK 1 million (-), and equity swap agreement of SEK -10 million (-). For further information; refer to Note 8.

CHANGES IN SHAREHOLDERS' EQUITY

Group	Attributable to the Parent Company's shareholders				Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributed	Reserves	Retained earnings		
SEK thousands						
Opening shareholders' equity 1 Jan. 2019	22 144	494 610	50 254	925 906	3 298	1 496 212
Comprehensive income for the year	–	–	10 592	382 785	1 105	394 482
Dividend (SEK 0.85 per share)	–	–	–	-92 268	–	-92 268
Dividend, non-controlling interests	–	–	–	–	-798	-798
Closing shareholders' equity 31 Dec. 2019	22 144	494 610	60 846	1 216 423	3 605	1 797 628
Opening shareholders' equity 1 Jan. 2020	22 144	494 610	60 846	1 216 423	3 605	1 797 628
Comprehensive income for the year	–	–	-58 922	286 845	839	228 762
Equity swap agreement*	–	–	–	-10 847	–	-10 847
Equity compensation benefit*	–	–	–	1 471	–	1 471
Closing shareholders' equity 31 Dec. 2020	22 144	494 610	1 924	1 493 892	4 444	2 017 014

Parent Company	Restricted shareholders' equity		Unrestricted shareholders' equity			Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Income for the year	
SEK thousands						
Opening shareholders' equity 1 Jan. 2019	22 144	172 604	322 043	167 737	362 011	1 046 539
AGM's appropriation of profits	–	–	–	362 011	-362 011	–
Comprehensive income for the year	–	–	–	–	4 264	4 264
Dividend (SEK 0.85 per share)	–	–	–	-92 268	–	-92 268
Closing shareholders' equity 31 Dec. 2019	22 144	172 604	322 043	437 480	4 264	958 535
Opening shareholders' equity 1 Jan. 2020	22 144	172 604	322 043	437 480	4 264	958 535
AGM's appropriation of profits	–	–	–	4 264	-4 264	–
Comprehensive income for the year	–	–	–	–	5 216	5 216
Equity swap agreement*	–	–	–	-10 847	–	-10 847
Equity compensation benefit*	–	–	–	1 471	–	1 471
Closing shareholders' equity 31 Dec. 2020	22 144	172 604	322 043	432 368	5 216	954 375

* For more information see page 33-35 and note 8.

CASH-FLOW STATEMENTS

SEK thousands	Note	Group		Parent Company	
		2020	2019	2020	2019
	19				
Operating activities					
Income after financial items		366 191	492 694	2 925	6 383
Adjustment for non-cash items		91 784	96 425	2 086	-4 921
Tax paid		-111 375	-114 161	-588	-1 112
Cash flow from operating activities before changes in working capital		346 600	474 958	4 423	350
Increase (-)/Decrease (+) in inventories		-4 434	-44 308	-	-
Increase (-)/Decrease (+) in operating receivables		14 861	-48 533	210	-3 998
Increase (+)/Decrease (-) in operating liabilities		-579	31 216	-1 496	2 865
Cash flow from operating activities		356 448	413 333	3 137	-783
Investing activities					
Business combinations		-	-23 828	-	-
Investments in intangible fixed assets		-13 317	-68 005	-	-
Investments in tangible fixed assets		-6 769	-19 095	-	-
Sale of tangible fixed assets		243	341	-	-
Investments in financial fixed assets		-374	-1 985	-	-
Cash flow from investing activities		-20 218	-112 572	-	-
Financing activities					
Net change cash pool		-	-	83 980	268
Net change borrowing from subsidiary		-	-	9 443	-13 643
Repayment of leasing liabilities		-15 764	-14 622	-	-
Equity swap agreement		-10 847	-	-10 847	-
Dividends received		-	-	-	61 489
Dividends paid		-	-92 268	-	-92 268
Cash flow from financing activities		-26 611	-106 890	82 576	-44 154
Cash flow for the year		309 619	193 872	85 713	-44 937
Opening cash and cash equivalents		689 538	490 810	217 991	261 749
Exchange-rate difference in cash and cash equivalents		-25 591	4 856	-10 001	1 179
Closing cash and cash equivalents		973 566	689 538	293 703	217 991

Cash flow

Consolidated cash flow from operating activities totalled SEK 356 million (413) for 2020. Change in working capital amounted to SEK 10 (-62) million and consisted, amongst other things, of decreased accounts receivables as a result of decreased sales. The cash flow from investing activities was SEK -20 million (-113) for the Group. During the year, cash flow related to investments was SEK -7 million (-19) for tangible fixed assets and SEK -13 million (-68) for intangible fixed assets.

The cash flow from financing activities was SEK -27 million (-107), of which SEK -16 million (-15) was related to repayment of leasing liabilities and SEK -11 million (-) relates to funds for an equity swap agreement for a long-term incentive programme.

In total, cash flow for the year was SEK 310 million (194) for the Group. At 31 December 2020, consolidated cash and cash equivalents was SEK 974 million (690).

NOTES TO THE FINANCIAL STATEMENTS

Vitrolife AB (the Parent Company) and its subsidiaries comprise an international medical device Group. Vitrolife develops, produces and markets products for assisted reproduction. The Parent Company Vitrolife AB (publ), Corporate registration number 556354-3452, is a limited liability company registered in Sweden with its registered office in Gothenburg, Sweden, the visiting address is Gustaf Werners gata 2, with the postal address Box 9080, SE-400 92 Gothenburg, Sweden. The Parent Company is listed on the Large Cap list of the Nasdaq Stockholm.

The Board of Directors resolved to adopt these consolidated financial statements for publication on 24 March 2021.

Contents	Page
Note 1 Accounting policies	48
Note 2 Financial risk management	49
Note 3 Critical estimates and assessments	50
Note 4 Segment reporting	50
Note 5 Revenue	51
Note 6 Other operating revenue	52
Note 7 Other operating expenses	52
Note 8 Employees, personnel costs and Board fees	52
Note 9 Auditors' fees	53
Note 10 Operating expenses	53
Note 11 Net financial items	53
Note 12 Exchange-rate differences	53
Note 13 Taxes	53
Note 14 Intangible fixed assets	54
Note 15 Tangible fixed assets	56
Note 16 Inventories	57
Note 17 Accounts receivable	57
Note 18 Prepaid expenses and accrued income	57
Note 19 Cash-flow statements and cash and cash equivalents	57
Note 20 Shareholders' equity	57
Note 21 Earnings per share	58
Note 22 Interest-bearing liabilities	58
Note 23 Other provisions	58
Note 24 Accrued expenses and deferred income	58
Note 25 Financial instruments	58
Note 26 Leasing	59
Note 27 Participations in Group companies	59
Note 28 Pledged assets and contingent liabilities	60
Note 29 Related parties	60
Note 30 Events after the closing date	60

Note 1 Accounting policies

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups and International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU for application within the EU.

The Parent Company applies the same accounting policies as the Group except in the cases listed below in the section "Parent Company's accounting policies". The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons.

Classification

Fixed assets, long-term liabilities and provisions essentially consist of amounts that are expected to be recovered or paid more than 12 months after the closing date. Current assets and current liabilities consist mainly of amounts that are expected to be recovered or paid within 12 months of the closing date.

Consolidation policies

The consolidated financial statements include the Parent Company Vitrolife AB (publ) and the subsidiaries in which the Parent Company has a controlling influence at year end. Intra-Group receivables and liabilities, income and

expenses, and unrealised gains or losses arising from intra-Group transactions are eliminated in their entirety when preparing the consolidated financial statements.

Functional currency and reporting currency

Items included in the financial statements of the various entities of the Group are valued in the currency used in the primary economic environment of each company's operations (functional currency). The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All figures, if not otherwise stated, are rounded off to the nearest thousand.

Assets and liabilities in foreign subsidiaries, including goodwill and other consolidated surplus and deficit values, are translated to SEK at the exchange rate on the closing date. Revenue and costs in foreign subsidiaries are translated to SEK at an average rate for each year. Translation differences that arise in currency translations of foreign operations are recognised in other comprehensive income.

Foreign currencies

Transactions in foreign currency are measured in the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are measured in the functional currency at the exchange rate prevailing on the closing date. Exchange-rate differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are recognised at historic cost are translated at the exchange rate applicable on the transaction date. Non-monetary assets and liabilities that are recognised at fair value are translated to the functional currency at the exchange rate applicable on the date of fair-value measurement. The change in exchange rates is then recognised in the same manner as other changes in value for the asset or liability.

Net investments in foreign operations

Monetary long-term receivables and liabilities in foreign operations are assessed as part of the company's net investment in foreign operations when settlement of these receivables and liabilities is not planned and unlikely in the foreseeable future. All resulting exchange-rate differences for these items are recognised in other comprehensive income. On the divestment of any such foreign operation, the accumulated exchange-rate differences are recognised in profit or loss.

The following exchange rates have been applied in these statements:

Currency	Average exchange rate		Closing rate	
	2020	2019	2020-12-31	2019-12-31
EUR	10.4867	10.5892	10.0375	10.4336
USD	9.2037	9.4604	8.1886	9.3171
AUD	6.3380	6.5724	6.2646	6.5125
GBP	11.7981	12.0658	11.0873	12.2145
CNY	1.3329	1.3691	1.2537	1.3333
JPY	0.0862	0.0868	0.0792	0.0853
DKK	1.4068	1.4183	1.3492	1.3968
HUF	0.0299	0.0326	0.0275	0.0315

Source: The Riksbank

New accounting policies 2020

As per 1 January 2020, IASB has adopted a change in IFRS 3 that addresses the distinction between business combinations and asset acquisitions by adopting a new definition of business. In practice, the new definition means that if the purchase price for the shares in an acquisition is essentially attributable to the underlying value of acquired intangible asset, the acquisition constitutes a so-called asset acquisition.

No standards, amendments or interpretations that entered into force in 2020 are deemed to have had material impact on the Group financial statements.

New accounting policies 2021 and later

No IFRSs and IFRIC interpretations that have not yet come into effect or been applied by Vitrolife, are expected to have any material impact on the Group.

Parent Company's accounting policies

The Parent Company prepares its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities. Under RFR 2, the Parent Company, in preparing the annual financial statements for the legal entity, applies all EU-approved IFRSs and statements insofar as this is possible within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. The recommendations specify which exceptions and additions are to be made from and to IFRS. The differences between the accounting policies of the Group and the Parent Company are stated below.

The accounting policies for the Parent Company stated below have been consistently applied in all periods presented in the financial statements of the Parent

Company. The accounting policies are unchanged compared with the preceding year. The parent company applies to the exception rule in RFR2, which means that a legal entity does not have to apply to IFRS 16.

Shares and participations

Shares and participations in Group companies are recognised at cost and subject to impairment testing each year. Dividends are recognised in profit or loss.

Income taxes

Untaxed reserves including deferred tax liabilities are recognised in the Parent Company. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and shareholders' equity.

Shareholders' contributions and Group contributions

Unconditional shareholders' contributions are recognised directly in shareholders' equity at the recipient and capitalised in shares and participations at the giver, to the extent that impairment is not required. Recognition of Group contributions has been carried out in line with the alternative rule in RFR 2. Group contributions are recognised as year-end adjustments.

Presentation of accounting policies

The accounting policies for the Group stated in this annual report have been applied to all periods presented in the consolidated financial statements, unless otherwise stated. The Group's accounting policies have been applied consistently in the reporting and consolidation of subsidiaries. Vitrolife presents the accounting choices made within the framework of the prevailing IFRS policy in conjunction with each note in the aim of providing enhanced understanding.

Note 2 Financial risk management

Financial policy

Vitrolife has a Group policy for its financial operations, which defines financial risks and states how the company should manage these risks. Furthermore, the policy states which reports must be prepared. Under this policy, the company must always maintain liquidity corresponding to known future net cash outflows for not less than three months.

Through its operations, the Vitrolife Group is exposed to various types of financial risk. Financial risk pertains to fluctuations in the company's earnings and cash flow as a result of changes in exchange rates, interest rates and credit risks.

Currency risks

The currency risk comprises the risk of fluctuations in the value of financial instruments due to exchange-rate changes. This risk is related to changes in expected and contracted payment flows (transaction exposure), the revaluation of foreign subsidiaries' assets and liabilities in foreign currencies (translation exposure) and financial exposure in the form of currency risks in payment flows for loans and investments. Vitrolife is a global company with sales on about 110 markets. This means that the company is impacted by variations in exchange rates. The aim is to minimise the impact of these changes wherever practically possible.

In terms of cash-flow risks, Vitrolife's largest exposure is to EUR value changes, since 38% (40) of sales are in this currency. The Group also has considerable cash flow exposure to CNY as 14% (15) of sales are in this currency. The companies in the Group with transaction exposure are mainly Vitrolife Sweden AB (Sweden) and Vitrolife A/S (Denmark). The breakdown of sales for these companies are as follows: EUR 58% (59), CNY 27% (29), SEK 6% (5), USD 7% (7) and DKK 2% (1). Most of the costs for the Swedish entities are in SEK and for Vitrolife A/S in DKK. External sales from the US subsidiary are entirely in USD. Inflows are matched with the subsidiary's outflows in the form of costs, which are also primarily in USD. Other Group companies have essentially inflows and outflows only in their respective functional currencies.

The net transaction exposure (in thousands) for the Group is allocated over the following currencies:

	Local currencies		Amount in SEK		Share, %	
	2020	2019	2020	2019	2020	2019
EUR	35 735	42 305	374 745	447 974	45	47
CNY	113 562	147 925	151 367	202 524	18	21
USD	6 662	1 610	61 319	15 231	7	2
AUD	9 833	9 605	62 322	63 130	8	7
GBP	2 561	2 136	30 219	25 768	4	3
JPY	1 000 223	1 289 643	86 196	111 991	10	12
DKK	44 387	55 791	62 441	79 129	8	8
Total			828 610	945 747	100	100

This year's transaction exposure implies that a general increase for the SEK of 1% against other currencies would reduce the Group's income after tax by about SEK 5.5 million (6.2) for the year ending 31 December 2020.

In 2020, no forward cover has been entered into in accordance with the policy, whereby no currency hedge agreements are to be entered into.

This year's translation exposure attributable to net assets of foreign subsidiaries (incl. acquisition-related intangible assets and goodwill) amounts to SEK 815.8 million (783.5) and was not hedged. A general increase for the SEK of 1% against other currencies would reduce the Group's equity by about SEK 8.1 million (7.8) and reduce the Group's income after tax by about SEK 0.9 million (1.4).

Interest-rate risk

Interest-rate risks refer to risks that changes in interest rates affect the consolidated earnings and cash-flow (cash-flow risks). In 2020, Vitrolife did not have any external bank loans and thus the interest rate risk is considered to be limited.

Credit and counterparty risks

Credit risk is defined as the risk that a counterparty is unable to meet its commitments to the Group, which could lead to credit losses. Risk is limited through the use of credit assessments and advance payments from new customers, as well as through close customer monitoring by the finance and marketing functions conjunctively. Vitrolife uses the simplified model for expected credit losses for accounts receivable, under which reserves for expected customer losses are set off at an amount corresponding to expected credit losses during the entire term of the receivable and are already taken into account at the first time of accounting. Furthermore, individual testing is performed of accounts receivable in terms of solvency and credit rating on the closing date. Historically, Vitrolife has had low credit losses and this was also true for 2020. Even during the sharply reduced demand in the spring as a result of the pandemic, customers generally displayed a good ability to pay. For further information about accounts receivable, see Note 17. The Group's total exposure relates to accounts receivable and cash and cash equivalents, please refer to the Group's Statements of financial position on page 44 for numbers.

Capital structure

The Group's aim regarding the capital structure is to secure the Group's ability to continue operations, so that it can continue to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down. The Group can change the dividend to shareholders, repay capital to shareholders, issue new shares, buy back its own shares or sell/buy assets with the aim of maintaining or adjusting the capital structure. The Group defines capital as shareholder's equity.

Vitrolife's Board considers that Vitrolife should have a strong capital base to enable continued high growth, both organic and through acquisitions. The company's net debt should not normally exceed a multiple of three times EBITDA. Net debt pertains to interest-bearing liabilities (excluding interest-bearing liabilities related to leasing agreements) less interest-bearing assets and cash and cash equivalents. Profitable growth is an objective of Vitrolife's Board. Vitrolife's growth target over a three-year period is sales growth of an average of 20% per year, with an operating margin before depreciation, amortisation and impairment (EBITDA) of 30%.

Vitrolife has no external loans or capital requirements.

Terms and conditions

Maturity structure of financial liabilities (incl. future interest payments)*:

	In 1 year	2 years	3 years	4 years	>4 years	Total
31 Dec 2020						
Borrowing	-	-	-	-	-	-
Leasing liabilities	13 593	11 987	8 440	7 563	20 820	62 403
Accounts payable*	25 922	-	-	-	-	25 922
Other liabilities*	15 876	-	-	-	-	15 876

31 Dec 2019

Borrowing	-	-	-	-	-	-
Leasing liabilities	14 632	12 641	10 898	8 829	28 845	75 845
Accounts payable*	29 314	-	-	-	-	29 314
Other liabilities*	13 354	-	-	-	-	13 354

* Non-discounted cash-flows.

Note 3 Critical estimates and assessments

Preparing the financial statements in conformity with IFRS requires management to make assessments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts for assets, liabilities, revenue and expenses. These estimates and assumptions are based on historic experience and a number of other factors deemed reasonable under the prevailing circumstances. The results of these estimates and assumptions are later used to assess the carrying amounts for assets and liabilities that are not otherwise clearly apparent from other sources. The actual outcome may deviate from these estimates and assessments.

The estimates and assumptions are regularly reviewed. Changes in the estimates are recognised in the period they are made if this is the only period affected by the change, or in the period the changes are made and in future periods if they also affect future periods.

Assessments made by management that have a substantial effect on the financial statements and estimates made that may involve material adjustments in the following year's financial statements are described in detail below.

Impairment test of goodwill and other intangible fixed assets

When calculating the recoverable amounts for cash-generating units as part of assessing whether any impairment of goodwill and other intangible fixed assets is needed, several assumptions regarding future conditions and estimates of parameters are made. An account of these can be found in Note 14.

Impairment test of capitalised expenditure for product development

No indication of impairment need existed at 31 December 2020. Capitalised projects can, with reasonable certainty, be expected to generate revenue earning products within the near future. The assets are amortized on a straight-line basis over the estimated useful life.

Inventory valuation

Inventories are measured at the lower of cost and net realisable value, thereby taking into consideration the risk of obsolescence, which is assessed on an individual basis. The net realisable value comprises the estimated sales price reduced by directly related selling expenses. Internal profits from intra-Group transactions are deducted from the book value of inventory.

Provision for credit losses

Vitrolife uses the simplified model for expected credit losses for accounts receivable, under which reserves for expected customer losses are set off at an amount corresponding to expected credit losses during the entire term of the receivable and are already taken into account at the first time of reporting. For further information, refer to Note 17.

Provisions for warranties

Vitrolife recognises provisions for warranties connected to some of the Group's products. The provisions are established with consideration of historical claims statistics and warranty period etc. Estimated costs for these product warranties are recognised as costs when the products are sold. Difference between estimated costs and actual outcome affects provisions and recognised costs in future periods. For further information, refer to Note 23.

Deferred tax

Deferred tax assets attributable to tax loss carry-forwards have been capitalised to the extent it has been estimated these can be used against future taxable profits, refer to Note 13.

Additional purchase price

Vitrolife has outstanding commitments for potential additional purchase prices from the acquisitions of intangible assets completed in 2018 and 2019. During the second quarter of 2019, Vitrolife acquired the rights to technology for the assessment of embryos based on time-lapse films using artificial intelligence. In addition to the initial purchase price of SEK 56 million, additional purchase price of SEK 19 million may be paid in relation to product development targets. During the second quarter of 2019, Vitrolife also acquired the business of Parallabs Ltd, its distributor in the UK and Ireland for EmbryoScope time-lapse systems. The initial purchase price amounted to SEK 24 million and in addition to that, an additional purchase price of SEK 6 million may be paid in relation to sales targets. During 2020 additional purchase price related to the acquisition of Parallabs Ltd was adjusted amounting to SEK 2.4 million based on outcome compared to set sales targets. The adjustment was recorded as other operating income. In Vitrolife's assessment the adjustment has no impact on the acquired assets. For further information on impairment test, refer to Note 14. Vitrolife assess that the remaining additional purchase prices from the two acquisitions in 2019 are likely to fall out, and thus they have been recorded as assets and liabilities respectively. There is also additional purchase price from 2018, when Vitrolife acquired licensing rights to technology for embryo transfer from CrossBay Medical Inc. Initial additional purchase price amounted to USD 11 million, of which USD 4 million were assessed likely to fall out. As a result of a changed launch plan, a new assessment was made and only USD 1 million was recorded as asset and liability related to this additional purchase price. The adjustment effected the additional purchase price as well as the asset's acquisition value, and was recorded as other operating income and other operating cost in 2018. At the end of 2018, Vitrolife entered into a License and Commercialization Agreement in genetics with Illumina Inc. As Vitrolife develops new kitted sequencing solutions for IVF, Vitrolife will have the opportunity to obtain exclusive right to commercialise these new products worldwide, excluding mainland China, for an additional payment of USD 3 million, subject to certain conditions. No asset or obligation is reported for this additional purchase price.

Leasing agreements

Vitrolife's leasing agreements primarily relate to premises, company cars and some office equipment and tools. In connection to the introduction of IFRS 16 1 January 2019, the leasing agreements are recorded as right-of-use assets and interest-bearing leasing liabilities in the balance sheet. Potential options to extend existing lease agreements have been considered and in each individual case it is evaluated however it is likely that an option will be exercised or not. Discounting of the future lease payments are made with the interest rate implicit in the lease, if this rate can easily be determined. Otherwise, the Group's incremental borrowing rate is applied. For further information regarding leasing agreements, refer to Note 26.

Legal disputes

After closing day Vitrolife received information that a civil lawsuit has been filed against Vitrolife in Germany by Ares Trading S.A. regarding claimed infringement of three patents in the time-lapse area. Vitrolife will dispute the lawsuit. Vitrolife is already involved in an appeal process regarding two of the three patents in question in the EU. Vitrolife has not included any provision for the lawsuit in the annual accounts as in Vitrolife's assessment there has been no infringement of any patent.

For more information concerning legal disputes, refer to page 33 in the management report.

Note 4 Segment reporting

Vitrolife consists of three divisions whose products are sold by four geographic market organisations. As a result of the internal organisation, Vitrolife reports net sales, gross margin and market contribution per geographic segment. Market contribution is defined as gross income reduced with the selling expenses per market. The balance sheet per segment is not followed-up internally. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM is the function that is responsible for allocating resources and assessing the performance of the operating segments. For the Group, this function has been identified as the CEO.

In 2020, no single customer of Vitrolife accounted for more than 10% of total sales. Below, net sales and fixed assets are presented per geographic segment. The information is also separately presented for individually significant countries and for the country in which the company has its domicile. Presented is also gross income, selling expenses and market contribution per segment. Administrative expenses, Research and development expenses and Other operating income and expenses to a total of SEK -200.7 million (-219.1) and net financials items of SEK -3.8 million (4.7) are not distributed per segment.

	2020					2019				
	EMEA	North and South America	Japan and Pacific	Asia	Total	EMEA	North and South America	Japan and Pacific	Asia	Total
Net sales	533 130*	226 064**	213 826***	272 552****	1 245 572	595 930*	283 933**	240 064***	360 205****	1 480 132
Gross income	321 892	126 150	143 961	175 664	767 667	368 284	164 169	168 980	237 219	938 652
Selling expenses	-83 948	-35 559	-41 437	-35 982	-196 927	-95 932	-46 465	-43 767	-45 419	-231 583
Market contribution	237 944	90 591	102 524	139 681	570 740	272 352	117 704	125 213	191 800	707 070
Administrative expenses					-114 424					-119 382
Research and development expenses					-91 759					-99 515
Other operating revenue and expenses					-5 458					-227
Operating income					370 015					487 946
Net financial items					-3 824					4 748
Income after financial items					366 191					492 694
Fixed assets*****	749 595*	92 410**	2 345***	482****	844 833	831 892*	114 039**	4 849***	836****	951 616

Of which:

* Sweden: Sales 19 814 (18 890). Fixed assets 273 066 (289 383)

** USA: Sales 180 640 (219 878). Fixed assets 92 410 (114 039)

*** Japan: Sales 133 032 (157 124). Fixed assets 2 277 (4 746)

**** China: Sales 178 343 (235 700). Fixed assets 482 (836)

***** Fixed assets refer to intangible and tangible fixed assets, i.e. excluding financial instruments and deferred tax assets.

Note 5 Revenue

Accounting policies

Revenue recognition

For revenue recognition, Vitrolife follows accounting principles in IFRS 15, below presented on the basis of how they are applied by Vitrolife.

The basic principles of IFRS 15 is that a company should recognize revenue to describe the transition of promised goods or services to customers to an amount that reflects the compensation that the company expects to be entitled to in exchange for these goods or services. In order to comply with this principle, a five-step model is applied, which consists of the following parts; Identify the agreement with the customer, identify the different performance obligations, determine the transaction price, allocate the transaction price to the various performance obligations and recognize revenue when performance obligations are met.

The organization was divided into five business units, but in 2019 a new structure was introduced, which now consists of three divisions; Consumables, Technology and Genomics. Business units Media and Disposable Devices have been merged into Consumables, and business units Time-Lapse and ART Equipment into Technology. Those sales that are not categorised into any of these divisions are essentially freight.

Revenue streams

Vitrolife's revenues mainly derive from the sale of products within the company's three divisions; Consumables, Technology and Genomics. Related to the products within Technology, the company sells services in the form of maintenance service. For all products, freight is also invoiced to the customer.

Performance obligations and time of revenue recognition

The great majority of Vitrolife's sales are of products that clearly represent separate performance obligations. Sales of products are recognized as income at the time the customer receives control of the products, which is deemed to be in connection with delivery to the customer. The warranties that come with Vitrolife's products are standardized, and therefore not defined as separate performance obligations. Vitrolife also sells services in the form of the servicing of products, primarily in the division Technology, and also in the form of the recharging of freight. Servicing is largely invoiced in advance and is recorded as revenue during the course of the servicing contract. Servicing revenues not recognised as revenue are reported as deferred income (contractual liabilities) in the balance sheet. In Vitrolife's assessment these services are also clearly separate performance obligations. Recharging of freight is recognized as revenue in connection to the delivery.

Information

Disaggregation of revenue

Vitrolife categorizes its products and services into the following divisions: Consumables, Technology and Genomics. Those sales that are not categorized into any of these divisions are essentially freight. As regards segment reporting, Vitrolife applies the following geographic segments: EMEA, North and South America, Japan and Pacific and Asia. The disaggregation of revenue per division and segment is presented in the tables below. For more information on the company's segments, refer to note 4. Disaggregation of revenue between product and services are also presented in table below.

Net sales per geographic segment

SEK million	2020	2019
EMEA	533	596
<i>of which Sweden</i>	20	19
North and South America	226	284
Japan and Pacific	214	240
Asia	273	360
Total	1 246	1 480

Net sales per division

SEK million	2020	2019
Consumables	752	841
Technology	363	489
Genomics	107	125
Other	24	24
Total	1 246	1 480

Net sales per products and services

SEK million	2020	2019
Products	1 163	1 396
Services	83	84
Total	1 246	1 480

Contractual liabilities

The company has contractual liabilities, which arise through the fact that services are essentially invoiced in advance. The contractual liability is dissolved over the period that service is delivered to the customers. The tables below provide information on the timing of when existing contractual liabilities are expected to be recognized as revenue, and revenue recognized during the reporting period, which was included in contract liabilities at the beginning of the period.

	2020	2019
Opening balance	23 915	17 470
Recognized revenue during the year	-20 680	-16 110
Additional oncontractual liabilities during the year	22 370	22 555
Closing balance	25 604	23 915

	2021	2022-	Total
Expected time of revenue recognition 2020	21 954	3 651	25 604

	2020	2021-	Total
Expected time of revenue recognition 2019	20 963	2 952	23 915

Note 6 Other operating revenue

Accounting principle for government grants

The company has received government grants related to Covid-19, primarily in form of short-time work allowance, and these are reported as "Other operating revenue". These are recognised in the income statement when it is assessed that it is reasonably certain that the conditions have been met and the grants have been received or will be received. The Group has not received any other forms of government assistance.

	Group		Parent Company	
	2020	2019	2020	2019
Foreign exchange gains	–	–	77	–
Reversal additional purchase price	2 360	–	–	–
Insurance refunds	–	74	–	74
Government grants	8 698	–	–	–
Disposal gain on machinery and equipment	242	221	–	–
Other	192	13	–	–
Total	11 492	307	77	74

Note 7 Other operating expenses

	Group		Parent Company	
	2020	2019	2020	2019
Foreign exchange losses	-5 744	-37	–	-92
Disposal loss on machinery and equipment	-290	-497	–	–
Total	- 6 034	-534	–	-92

Note 8 Employees, personnel costs and Board fees

Average number of employees (FTE)	Total		Of whom, men	
	2020	2019	2020	2019
Parent Company, Sweden	1	1	1	1
Subsidiaries				
Sweden	153	150	55	56
Denmark	84	81	52	51
USA	86	87	45	42
Rest of the world	81	79	49	46
Total	405	398	202	196

Share of women in senior positions	2020	2019
Board of Directors	40%	25%
Executive management	25%	14%

Salaries, other benefits and social charges*

	Salaries and benefits		Social charges	
	2020	2019	2020	2019
Parent Company	9 975	11 137	6 039	5 725
- of which pension costs	–	–	2 238	1 807
Subsidiaries	263 644	272 572	72 287	72 335
- of which pension costs	–	–	25 784	22 177
Total	273 619	283 709	78 325	78 060
- of which pension costs	–	–	28 023	23 984

* Based on expensed remunerations.

Of the Group's pension costs SEK 2,238 thousand (1,807) pertained to the Board and CEO, of which SEK 2,238 thousand (1,807) was attributable to the CEO.

Salaries and benefits allocated by country and between Board members/CEO and other employees

	Board/CEO		Other employees	
	2020	2019	2020	2019
Parent Company, Sweden	9 975	11 137	–	–
Subsidiaries				
Sweden	–	–	97 217	98 547
Denmark	–	–	57 913	62 057
USA	–	–	53 109	54 278
Rest of the world	–	–	55 404	57 845
Total	9 975	11 137	263 644	272 727
- of which variable remuneration	1 392	3 795	12 147	27 336

Board of Directors

During the financial year, total Board fees of SEK 2,010 (2,039) thousand were recorded as cost based on decided fees in accordance to the 2019 and 2020 AGM's resolutions. During the 2019 AGM, a fee to the Board of SEK 2,165 thousand was decided. The Chairman received SEK 825 thousand and the five other Board members each received SEK 275 thousand. In addition, the chairmen of the Audit Committee and the Remuneration Committee received an additional fee of SEK 60 thousand each and the members of these committees received an additional fee of SEK 30 thousand each. On 15 June 2020, Vitrolife's AGM resolved to pay Board fees of SEK 2,165 thousand for the period until the next AGM.

Executive management

In the 2020 financial year, executive management, which comprises 8 (7) persons including the CEO, received salaries of SEK 23,308 thousand (28,141), of which SEK 4,101 thousand (9,956) was variable remuneration and SEK 273 thousand (1,524) was according to the LTI-programme. Variable remuneration for the CEO and other executive management is based on the outcome of two quantitative parameters compared with set targets. As a result of the considerable impact of the pandemic on Vitrolife's business, the targets were not met either fully or partially. Given that the executive management were successful in minimising the negative effects of the pandemic on Vitrolife's business, the Board decided that target achievement for 2020 should amount to a third of the maximum level.

Remuneration according to the LTI-programme refers to incentive programme for certain selected key individuals with the aim of aligning the interests of shareholders with those of the executive management and to encourage the purchase of Vitrolife shares.

The 2020 Annual General Meeting adopted the Board's proposal to introduce a long-term incentive programme (LTIP 2020) for certain key employees. Each participant is entitled, after the end of a qualifying period, conditional upon continued employment (with the exception of "Good Leavers"), and dependent on the meeting of particular performance standards linked to Vitrolife's EBITDA per share, to receive an allotment of Vitrolife shares ("Performance Shares"). Allotment of Performance Shares to participants shall be free of charge. Performance Shares shall consist of ordinary shares. Allotment of Performance Shares under the LTIP 2020 programme will be carried out for a limited period of time after the 2023 Annual General Meeting. LTIP 2020 has been recognised in accordance with "IFRS 2 – Share-based Payment". According to IFRS 2, allotment of shares shall be recognised as a personnel cost during the qualifying period and shall be recognised directly in equity. Personnel costs in accordance with IFRS 2 do not affect Vitrolife's cash flow. Social security expenses will be expensed in the income statement through provisions on an ongoing basis. The size of these provisions is revalued on the basis of the development in value of the right to Performance Shares and the social security expenses that may be paid upon allotment of Performance Shares. For further information, see page 33-35. Recorded cost for LTIP-programme during 2020 amounted to SEK 1,477 thousand and social charges of SEK 407 thousand.

Customary occupational pension premiums were paid for and the retirement age is 65. A notice period of three to six months applies for the termination of employment contracts for other executive management by the company and vice versa. No severance payments are payable. No loans exist to executive management.

CEO

In the 2020 financial year, the CEO received salary totalling SEK 7,240 thousand (9,098), of which SEK 1,392 thousand (3,795) was variable remuneration and SEK 0 thousand (102) was according to the LTI-programme. Car allowance was also paid. A defined-contribution pension applies and pension premiums amounting to 30% of fixed remuneration are paid. A six-month notice period applies for termination of the CEO's contract by the company and vice versa. In case of termination by the company, a severance payment is payable of up to 12-months' salary. The CEO's employment contract includes a non-competition clause. The retirement age is 65.

Defined-contribution pension plans

In Sweden, the Group funds defined-contribution pension plans for its employees. Outside Sweden, defined-contribution plans are partly defrayed by the subsidiaries and partly defrayed by fees paid by the employees. Payments to these plans are made on an ongoing basis pursuant to the respective plan's rules. The premiums are expensed on an ongoing basis and there are no obligations to pay further fees. The Group's earnings are charged with costs as the benefits accrue.

	Group		Parent Company	
	2020	2019	2020	2019
Payments to defined-contribution plans	28 023	23 984	2 238	1 807

Endowment insurance

Endowment insurance includes plans for the CEO and the former CEO of SEK 7,728 thousand (6,012). These endowment insurance plans are recognised under other financial assets and provisions. Also refer to Note 28 Pledged assets and contingent liabilities.

Note 9 Auditors' fees

	Group		Parent Company	
	2020	2019	2020	2019
Deloitte				
Audit assignment	1 423	1 263	1 197	989
-whereof to Deloitte AB	780	698		
Audit activities other than audit assignment	90	25	21	-
-whereof to Deloitte AB	21	25		
Tax consultancy	63	170	63	129
-whereof to Deloitte AB	63	129		
Other services	45	107	-	87
-whereof to Deloitte AB	25	87		
Other auditors				
Audit assignment	310	302	-	-
Tax consultancy	-	22	-	-
Other services	72	75	-	-
Total	2 005	1 964	1 281	1 205

Audit assignments refers to the examination of the annual accounts, the accounting records and the administration of the Board and CEO, other tasks incumbent on the company's auditor to perform as well as advice or other assistance resulting from observations made during an audit or the conduct of such other duties. Audit activities other than the audit assignment, pertain to quality assurance services, including assistance regarding observations made during such a review, which is carried out in accordance with ordinances, the Articles of Association, bye-laws or agreements, and which result in a report that is also intended for others than the client. Advice on tax questions is reported separately. Everything else comprises other services.

Note 10 Operating expenses

	Group		Parent Company	
	2020	2019	2020	2019
Raw materials and consumables	-211 708	-276 815	-	-
Changes in inventories of finished goods and work in progress	-1 761	30 934	-	-
Personnel costs	-371 603	-382 549	-16 347	-16 986
Depreciation, amortisation and impairment	-84 070	-99 388	-	-
Other external costs	-211 874	-264 141	-5 126	-5 547
Other operating expenses	-6 034	-534	-	-92
Total	-887 049	-992 493	-21 473	-22 625

Note 11 Net financial items

Accounting policies

Interest income is recognised on an ongoing basis and dividends when the right to receive them has been established.

	Group		Parent Company	
	2020	2019	2020	2019
Interest income	759	1 512	499	2 498
Foreign exchange gains	-	5 884	-	2 547
Fair value effect	8 916*	-	8 916*	-
Dividends from participations in Group companies	-	-	-	1 856
Other financial income	15	56	-	-
Financial income	9 689	7 452	9 415	6 901
Interest expenses**	-2 085	-2 304	-6	-19
Foreign exchange loss	-11 047	-	-4 217	-
Fair value effect	-374	-390	-	-
Other financial expenses	-8	-10	-	-
Financial expenses	-13 514	-2 704	-4 224	-19
Total	-3 824	4 748	5 191	6 882

* Refers to revaluation of a non-listed shareholding in conjunction with a new share issue in the company. Vitrolife did not participate in this new share issue.

** Whereof SEK 1 920 thousand (2 238) refers to interest on leasing liabilities according to IFRS 16.

Note 12 Exchange-rate differences

Accounting policies

Receivables and liabilities in foreign currencies are measured at the exchange rate on the closing date. Exchange-rate differences on operating receivables and operating liabilities are included in operating income, while exchange-rate differences on financial receivables and liabilities are reported as financial items.

	Group		Parent Company	
	2020	2019	2020	2019
In operating income	-5 744	-37	77	-92
In financial items	-11 047	5 884	-4 217	2 547
Total	-16 791	5 848	-4 140	2 455

Note 13 Taxes

Accounting policies

Income tax comprises current tax and deferred tax and is recognised in profit or loss, except when the underlying transactions are recognised in other comprehensive income, provided that the relating tax effect is recognised in other comprehensive income. Current tax is tax payable or recoverable for the current year. This also includes adjustments of current tax attributable to prior periods. The actual tax expense is calculated based on the applicable tax rules on the closing date that have been decided or which are, in practice, decided in those countries where the Parent Company and its subsidiaries operate and generate taxable income. The management regularly evaluates the claims made in tax returns with regard to situations where the applicable tax rules are subject to interpretation and make, when deemed appropriate, provisions for amounts that will probably be payable to the tax authorities.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities in the consolidated financial statements. The amount is calculated based on how the temporary differences are expected to be balanced and on the basis of the tax rates (and tax rules) that have been decided or announced as of the closing date. Temporary differences are not taken in to consideration in consolidated goodwill and nor in differences attributable to shares in subsidiaries that are not expected to be taxed in the foreseeable future. In the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and shareholders' equity.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised only insofar as it is probable that tax surpluses will be available in the future against which temporary differences can be utilised.

	Group		Parent Company	
	2020	2019	2020	2019
Tax expense for the year				
Current tax for the year	-84 663	-117 354	0	-1 346
Tax pertaining to preceding year	-309	-2 362	799	-1 112
Total current tax	-84 972	-119 716	799	-2 458

Deferred tax

Amortisation surplus values	7 132	10 311	-	-
Intra-Group profit in inventories	1 010	165	-	-
Change loss carry-forwards	1 087	-262	1 024	-
Other temporary differences	-2 583	647	469	340
Total tax expense	-78 325	-108 855	2 292	-2 118

Reconciliation effective tax rate

Income before tax	366 191	492 694	2 925	6 383
Estimated Swedish tax 21.4% (21.4%)	-78 365	-105 437	-626	-1 366
Differences in foreign tax rates	-615	-2 111	-	-
Tax pertaining to preceding year	-309	-2 362	799	-1 112
Effect of changed tax rate	6	-340	-18	-13
Non-deductible expenses	-1 016	-425	-14	-24
Non-taxable income	3 452	1 613	2 151	-
Dividend received from Group companies	-	-	-	397
Capitalisation and utilisation of priorly non-capitalised loss carry-forwards	516	240	-	-
Non-capitalised loss carry-forwards	-2 012	-	-	-
Other	19	-33	-	-
Total tax expense	-78 325	-108 855	2 292	-2 118

Deferred tax Group	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Untaxed reserves	-	-	2 130	2 191
Intra-Group profit in inventories	8 420	7 409	-	-
Surplus values fixed assets	-	-	14 196	22 330
Loss carry-forwards	4 502	3 876	-	-
Temporary differences fixed assets	-	-	15 873	18 164
Other temporary differences	9 421	8 300	-	-
Netting deferred taxes	-15 988	-15 412	-15 988	-15 412
Total	6 355	4 173	16 211	27 273

The deferred tax assets and liabilities above are recognised in the balance sheet on a net basis for each country respectively, after taking into account offsetting possibilities. Deferred tax assets and liabilities have been measured at the tax rates that are expected to apply for the period when the asset is realised or the liability settled, according to the tax rates and regulations that have been determined or notified at the closing date.

Change deferred tax assets and -liabilities	2020	2019
Opening balance, net	-23 100	-28 163
Via profit or loss	6 646	10 862
Via other comprehensive income	60	-
Via acquisitions	4 979*	-5 155
Translation difference	1 558	-644
Closing balance, net	-9 857	-23 100

* Adjustment of deferred tax recorded (GBP 422 thousand) in conjunction with the acquisition of Parallabs Ltd in 2019. The adjustment has been carried out in acquired assets in the form of customer relationships. See also Note 14.

Tax loss carry-forwards

Deferred tax assets attributable to tax loss carry-forwards have been capitalised to the extent it has been estimated these can be used against future taxable profits. Total deferred tax assets of SEK 4.5 million (3.9) comprise tax loss carry-forwards of SEK 12.9 million in Vitrolife Inc (USA), SEK 4.8 million in Vitrolife AB and HertArt Aps (Denmark) of SEK 0.9 million which have been capitalised.

Tax loss carry-forwards attributable to Vitrolife GmbH (Germany) amounted to SEK 7.0 million at the closing date, corresponding deferred tax asset of SEK 2.0 million. No deferred tax assets were taken into consideration, since these loss carry-forwards are subject to a degree of uncertainty regarding the extent to which they can be used in the future.

Under existing regulations, all loss carry-forwards have no expiry date. However, all loss carry-forwards are subject to restrictions with regard to the proportion of the loss carry-forward that can be used to offset taxable profits in respective years. Of the Group total tax loss carry-forwards 69% is valued as deferred tax assets.

Note 14 Intangible fixed assets

Accounting policies

Goodwill

Goodwill represents the difference between the cost of the business combination and the fair value of the acquired assets, assumed liabilities and contingent liabilities. Goodwill is measured at cost less any accumulated impairment. In order to test for impairment, goodwill is distributed to each cash-generating unit. A cash-generating unit is the lowest level on which goodwill is followed up in the internal control of the Group. Impairment is tested annually, or more frequent if there are indications of impairment. Expenses for internally generated goodwill are recognised in profit or loss when the cost is incurred.

Capitalised expenditure for product development

Research expenditure pertains to expenses for research aimed at obtaining new scientific or technical knowledge. Development expenditure pertains to expenses where research findings or other knowledge is applied to realise new or enhanced products or processes.

Research expenditure is expensed in the period in which it occurs. Development expenditure is recognised in the Group as an intangible asset when the asset is assessed as able to generate future financial benefits and then only under the prerequisite that it is technically and financially feasible to complete the asset, that the intent is and conditions exist for the asset to be used in operations or sold and that the value can be reliably calculated.

In the consolidated balance sheet, capitalised development expenditure is recognised at cost less accumulated amortisation and impairment.

Patents and licenses

Patent and licenses are recognised at cost, less accumulated impairment. The item mainly comprises acquired distribution rights and licenses.

Production technology

Production technology is recognised at cost, less accumulated amortisation and impairment. The item mainly comprises production technology identified in connection with acquisitions.

Trademarks

Acquired trademarks are recognised at cost less accumulated impairment, if any. Vitrolife's assessment is that the trademarks of the Group have indefinite useful lives. Based on this trademarks are not amortised, but tested for impairment annually or more frequent if there are any indications of impairment. Any expenditure for internally generated trademarks are expensed in the period when they occur.

Other intangible assets

Other intangible assets acquired by the Group are recognised at cost, less accumulated amortisation and impairment. The item mainly comprises customer relations.

Additional expenses

Additional expenses for an intangible asset are added to the cost only if they increase the future economic benefits over and above the original assessment and the costs can be reliably estimated. All other expenditures are expensed as incurred.

Amortisation

Amortisation is recognised on a straight-line basis in profit or loss over the estimated useful life of the intangible asset, unless the useful life is indefinite. Goodwill is tested for impairment annually or as soon as there is an indication that the asset has declined in value. The trademarks of the Group are assessed to have indefinite useful lives and are thus not amortised, but tested for impairment like goodwill. Amortisable intangible assets are amortised as from the date the asset is available for use. The estimated useful lives are:

Capitalised expenditure for product development	5-20 years
Patents and licenses	5-10 years
Production technology	4-10 years
Customer relations	5-10 years
Computer programs	5 years

Capitalised expenditure for product development is mainly amortised over a five-year period, which corresponds to most products' expected life. The amortisation period for patents tracks the underlying patent's or brand's life, which is between five and ten years.

Impairment

At each closing day, an assessment is made of whether any indication exists of any impairment of the Group's assets. For goodwill and trademarks, which are not amortised on an ongoing basis, impairment test is conducted at least once each year or more frequent when there is an indication that the asset may have declined in value. If that is the case, an assessment of the asset's recoverable value is conducted. The recoverable value is the higher of an asset's fair value less selling expenses and its value in use. The value in use is defined as the present value of all future cash payments or receipts attributable to the asset plus the present value of the net realisable value at the end of its useful life.

The asset is impaired to its recoverable amount if the calculated recoverable amount is less than the carrying amount. An earlier impairment is reversed when there has been a change in the assumptions used as a basis for the asset's recoverable value when it was impaired and which mean that the impairment is no longer deemed necessary. Reversals of previous impairments are tested individually and recognised in profit or loss. Impairment losses on goodwill are not reversed in a following period.

Impairment test

The Group's goodwill is attributable to the acquisition of subsidiaries and their operations. Previously the organization was divided into five business units, but in 2019 a new structure was introduced, which now consists of three divisions; Consumables, Technology and Genomics. Business units Media and Disposable Devices have been merged into Consumables, and business units Time-Lapse and ART Equipment into Technology. The products are sold by four geographic market organisations, which are reported as the Group's segments. In line with previous years impairment test of goodwill has been conducted for each business unit – Media, Disposable Devices, Time-lapse, Genomics and ART Equipment – since these are defined as separate cash-generating units. Goodwill has been allocated to each cash-generating unit based on the underlying operations in the companies to which goodwill is attributable. At the closing date, goodwill is distributed over the cash-generating units as follows; Media SEK 6.6 million, Disposable Devices SEK 110.3 million, Time-lapse SEK 245.2 million, Genomics

SEK 0.2 million and ART Equipment SEK 40.9 million - a total of SEK 403.2 million. The impairment test has been carried out based on forecasts, where the first five forecast years are based on historical growth rates after adjustment for management forecasts. The forecasts have been prepared internally by the management using historical data, the collective experience of management and their best assessment of the company's development potential and market growth. The forecast cash flows after the first five years have been based on a more conservative growth rate of 3% (3) per year. A growth rate of 3% is below the expected growth rate for the market, which is expected to grow by approximately 5-10% per year. The present values were calculated for forecast cash flows using a discount rate before tax of 9.3% (8.8). However, slightly higher discount rates have been used for specific parts of the business. The key variables in the forecasts are market share and growth, gross margin, selling expenses and investments. The estimate is based on a continued, healthy gross margin and the need for investment has been assessed as that needed to replace existing assets. Working capital has been assumed to change in line with sales and the debt/equity ratio is assessed as unchanged, since growth is expected to occur within the framework of existing operations and with own funds. The recoverable amounts, which in the Group are calculated as the value in use, exceeds the carrying amounts. The management's assessment is that no reasonable changes in the key variables and assumptions will lead to the units' recoverable amounts being less than the carrying amounts.

Impairment tests have also been carried out for the trademarks in the Group. At the closing date, trademarks are distributed over the cash-generating units as follows; Time-lapse SEK 33.6 million and ART Equipment SEK 10.8 million - a

total of SEK 44.4 million. The impairment tests have, in all essentials, been based on the same forecasts and assumptions as for goodwill, and the present values for forecast cash flows have been calculated using discount rates in accordance with description above.

To support the impairment tests performed on the intangible fixed assets, a comprehensive analysis was performed of the sensitivity in the variables used in the model. The assumption of an increase in the discount rate of one percentage point shows that the recoverable amounts still exceed the carrying amounts. Other assumptions, such as the gross margin, need for investment and growth rate have been assumed as constant.

	Goodwill	
	2020	2019
Accumulated cost		
Opening balance	443 834	439 603
Translation differences	-22 604	4 230
Closing balance	421 232	443 834
Accumulated amortisation and impairment		
Opening balance	-17 993	-17 993
Closing balance	-17 993	-17 993
Carrying amount	403 239	425 842

Other intangible fixed assets	Capitalised expenditure for product development		Patents and licenses		Production technology		Trademarks		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated cost												
Opening balance	142 889	132 376	261 316	182 077	177 219	174 638	46 403	45 715	50 938	23 452	678 765	558 258
Investments	13 318	6 965	-	61 129	-	1	-	-	-	23 738	13 318	91 833
Additional purchase price	-	-	-	18 921	-	-	-	-	-	2 795	-	21 716
Adjustment acquisition value	-	-	-	-	-	-	-	-	-4 979*	-	-4 979*	-
Translation differences	-11 284	3 548	-3 643	-811	-6 654	2 579	-1 610	688	-3 070	953	-26 261	6 957
Closing balance	144 922	142 889	257 673	261 316	170 565	177 219	44 793	46 403	42 889	50 938	660 842	678 765
Accumulated amortisation and impairment												
Opening balance	-106 365	-90 471	-46 430	-30 298	-152 645	-118 099	-404	-403	-20 504	-12 600	-326 348	-251 871
Amortisation	-13 708	-13 562	-13 612	-15 811	-15 631	-33 250	-1	-1	-8 381	-7 755	-51 333	-70 379
Translation differences	9 263	-2 332	1 117	-321	4 480	-1 296	-	-	1 461	-149	16 321	-4 098
Closing balance	-110 811	-106 365	-58 925	-46 430	-163 796	-152 645	-405	-404	-27 425	-20 504	-361 362	-326 348
Carrying amounts	34 111	36 523	198 748	214 886	6 770	24 574	44 388	45 999	15 465	30 434	299 481	352 416

* Adjustment of deferred tax recorded (GBP 422 thousand) in conjunction with the acquisition of Parallabs Ltd in 2019. The adjustment has been carried out in acquired assets in the form of customer relationships. See also Note 13.

Parent Company	Other	Total
Accumulated cost		
Opening balance 1 Jan 2019	160	160
Closing balance 31 Dec 2019	160	160

Opening balance 1 Jan 2020	160	160
Closing balance 31 Dec 2020	160	160

Accumulated amortisation and impairment	Other	Total
Opening balance 1 Jan 2019	-160	-160
Closing balance 31 Dec 2019	-160	-160
Opening balance 1 Jan 2020	-160	-160
Closing balance 31 Dec 2020	-160	-160

Parent Company	Other	Total
Carrying amounts		
At 31 Dec 2019	-	-
At 31 Dec 2020	-	-

Amortisation and impairment has been allocated in profit or loss by function as follows:

	Group		Parent Company	
	2020	2019	2020	2019
Cost of goods sold	-51 140	-67 209	-	-
Selling expenses	-8	-139	-	-
Administrative expenses	-4	-64	-	-
Research and development expenses	-181	-2 968	-	-
Total	-51 333	-70 380	-	-

Note 15 Tangible fixed assets

Accounting policies

Tangible fixed assets are recognised as assets in the balance sheet when, based on information available, it is likely that the future financial benefits associated with the holding will accrue to the company and that the cost of the asset can be calculated in a reliable manner. The carrying amounts of the tangible fixed assets comprise costs reduced with accumulated depreciation and impairment, if any. For accounting policies regarding right-of-use assets, refer to Note 26.

Gains or losses from selling tangible fixed assets comprise the difference between the sales price and the carrying amount of the asset, and are recognised in profit or loss at the time of the sale.

Additional expenses

Additional expenses are added to the cost only if it is probable that the future financial benefits associated with the asset will accrue to the company and the cost can be reliably calculated. All other additional expenses are expensed in the period they are incurred.

The decisive factor for determining when an additional expense will be added to the cost is whether the expense pertains to the exchange of identified compo-

nents, or parts thereof, in which case they are capitalised. The expense is also added to the cost when new components have been created. Any undepreciated carrying amounts for exchanged components, or parts thereof, are scrapped and expensed in conjunction with the exchange. Repairs are expensed on an ongoing basis.

Depreciation

Depreciation according to plan is based on the original cost less the estimated residual value. The residual values and estimated useful lives of the tangible fixed assets are reviewed at each closing day, and are adjusted when necessary. Depreciation takes place straight line over the estimated useful life of the asset. Land is not depreciated. The estimated useful lives are:

Buildings	10-30 years
Permanent equipment	10-20 years
Plant and machinery	3-10 years
Equipment, tools, fixtures and fittings	3-10 years

	Buildings and land		Plant and machinery		Equipment, tools, fixtures and fittings		Construction in progress		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated cost										
Opening balance	150 268	66 858	35 516	32 781	159 792	133 153	651	5 966	346 228	238 758
<i>whereof right-of-use assets</i>	80 729	–	–	–	7 058	–	–	–	87 787	–
Investments	99	150	1 747	1 815	4 054	16 035	885	1 095	6 784	19 095
Right-of-use	1 839	81 252	–	–	2 407	7 103	–	–	4 246	88 355
Reclassifications	–	–	-83	383	1 810	4 847	-1 487	-6 130	240	-900
Sales/disposals	–	–	-166	–	-2 492	-3 367	–	-372	-2 658	-3 739
Translation differences	-11 184	2 009	-1 735	538	-10 316	2 020	5	92	-23 230	4 659
<i>whereof right-of-use assets</i>	-2 898	-523	–	–	-171	-45	–	–	-3 069	-568
Closing balance	141 021	150 268	35 279	35 516	155 255	159 792	54	651	331 609	346 228
<i>whereof right-of-use assets</i>	79 671	80 729	–	–	9 294	7 058	–	–	88 964	87 787
Accumulated depreciation and impairment										
Opening balance	-39 623	-23 567	-27 965	-24 307	-105 281	-96 757	–	–	-172 869	-144 632
<i>whereof right-of-use assets</i>	-12 064	–	–	–	-1 914	–	–	–	-13 978	–
Depreciation	-3 003	-3 078	-4 008	-3 254	-9 060	-8 238	–	–	-16 069	-14 569
Depreciation right-of-use	-13 593	-12 511	–	–	-2 998	-1 929	–	–	-16 592	-14 440
Reclassifications	–	–	–	–	-240	900	–	–	-240	900
Sales/disposals	–	–	166	–	2 131	2 811	–	–	2 297	2 811
Translation differences	4 961	-467	1 931	-403	7 087	-2 068	–	–	13 979	-2 938
<i>whereof right-of-use assets</i>	1 188	447	–	–	108	15	–	–	1 296	462
Closing balance	-51 258	-39 623	-29 876	-27 965	-108 362	-105 281	–	–	-189 496	-172 869
<i>whereof right-of-use assets</i>	-24 469	-12 064	–	–	-4 805	-1 914	–	–	-29 274	-13 978
Carrying amounts	89 763	110 645	5 403	7 552	46 893	54 510	54	651	142 113	173 359
<i>whereof right-of-use assets</i>	55 201	68 665	–	–	4 489	5 144	–	–	59 690	73 809

Parent Company	Equipment and tools	Total
Accumulated cost		
Opening balance 1 Jan 2019	12	12
Closing balance 31 Dec 2019	12	12
Opening balance 1 Jan 2020	12	12
Closing balance 31 Dec 2020	12	12

Parent Company	Equipment and tools	Total
Accumulated depreciation and impairment		
Opening balance 1 Jan 2019	–	–
Closing balance 31 Dec 2019	–	–
Opening balance 1 Jan 2020	–	–
Closing balance 31 Dec 2020	–	–

Parent Company	Equipment and tools	Total
Carrying amounts		
At 31 Dec 2019	12	12
At 31 Dec 2020	12	12

Depreciation and impairment has been allocated in profit or loss by function as follows:

	Group		Parent Company	
	2020	2019	2020	2019
Cost of goods sold	-11 600	-10 991	–	–
Selling expenses	-2 045	-1 743	–	–
Administrative expenses	-15 606	-13 303	–	–
Research and development expenses	-3 486	-2 972	–	–
Total	-32 737	-29 009	–	–

Note 16 Inventories

Accounting policies

Inventories are measured at the lower of cost and net realisable value, thereby taking into consideration the risk of obsolescence, which is assessed on an individual basis. Impairment due to obsolescence are recognised as costs of goods sold in the profit or loss. The cost is calculated according to weighted average prices. The cost of semi-finished and finished products manufactured in-house comprises direct production costs and a reasonable proportion of indirect production costs based on normal capacity. The net realisable value comprises the estimated sales price reduced by directly related selling expenses. Internal profits from intra-Group transactions are deducted from the book value of inventory.

	Group		Parent Company	
	2020	2019	2020	2019
Raw materials and consumables	72 741	75 772	–	–
Products in progress	12 515	15 256	–	–
Finished goods and goods for resale	118 771	117 792	–	–
Total	204 027	208 820	–	–

Impairment of SEK 2.1 million (1.9) pertaining to obsolescent raw materials and SEK 2.6 million (1.0) for obsolescent finished products was included in the closing inventory. Total obsolescence costs for the year amounted to SEK 18.3 million (18.3). Costs for obsolescence were higher in 2019 and 2020 compared with previous periods. The increase in 2019 was partly due to obsolescence costs attributable to the transfer of media production to China while 2020 was impacted by increased inventory on hand in the first half year due to reduced sales as a result of Covid-19.

Note 17 Accounts receivable

Accounting policies

Accounts receivable are initially recognised at fair value and, thereafter, at amortised cost. Since the expected maturity of an account receivable is short, a nominal value without discounting is recognised. If the receivable is expected to be held for more than 12 months, it is classified as long-term. Vitrolife uses the simplified model for expected credit losses for accounts receivable, where provisions for expected customer losses are made to an amount corresponding to expected credit losses during the entire terms of the contract and are taken into account already by the first time of reporting. This effect is not deemed material for the financial year. Indicators of that a receivable needs an impairment might be, e.g., financial difficulties for the customer, that reconstruction or bankruptcy is likely, late payments, disputes or other events indicating that the customer will not pay. The impairment of accounts receivable are recognised as selling expenses.

Accounts receivable

Accounts receivable are recognised after taking into account bad debt losses during the year. In 2020, confirmed bad debt losses in the Group totalled SEK 560 thousand (2,062). For financial risk management concerning accounts receivable, refer to Note 2.

Historically, Vitrolife has had low bad debt losses, and work with collecting due receivables is conducted on a current basis. Even during the sharply reduced demand in the spring as a result of the pandemic, customers generally displayed a good ability to pay.

Several of Vitrolife's customers, e.g. public hospitals, traditionally pay their receivables relatively long past due dates. However, these customers are assessed to be of low risk and they buy new products from Vitrolife on a regular basis.

	Group		Parent Company	
	2020	2019	2020	2019
Accounts receivable	221 369	238 021	–	–
Less credit reserve	-4 875	-4 700	–	–
Total	216 494	233 321	–	–

Age structure of accounts receivable

2020	Total accounts receivable:	Not due:	Due, number of days:				Total amount due:
			0–30	31–60	61–120	>120	
221 369	178 454	25 149	5 209	3 875	8 680	42 914	
of which provision							
-4 875	–	–	-191	-406	-4 279	-4 875	

2019	Total accounts receivable:	Not due:	Due, number of days:				Total amount due:
			0–30	31–60	61–120	>120	
238 021	177 641	30 351	12 884	6 749	10 395	60 380	
of which provision							
-4 700	-268	-402	-80	–	-3 950	-4 432	

Change in reserve for credit losses	Group		Parent Company	
	2020	2019	2020	2019
Opening credit reserve	-4 700	-6 836	–	–
Reversal of reserve for credit losses	1 016	1 601	–	–
Confirmed credit losses*	–	2 004	–	–
Reserve for credit losses	-1 707	-1 267	–	–
Translation differences	517	-202	–	–
Closing credit reserve	-4 875	-4 700	–	–

* Total confirmed credit loss for 2020 amounts to SEK 560 thousands arisen during the year therefore not included in credit reserve 2019.

Note 18 Prepaid expenses and accrued income

	Group		Parent Company	
	2020	2019	2020	2019
Insurances	3 136	3 526	–	–
Rent and other property expenses	2 204	2 381	–	–
IT-related expenses	1 930	1 247	–	–
Prepaid marketing activities	696	1 668	–	–
Other prepaid expenses	2 587	2 865	48	40
Accrued income	509	–	–	–
Total	11 063	11 687	48	40

Note 19 Cash-flow statements and cash and cash equivalents

Accounting policies

The cash-flow statements are drawn up according to the indirect method.

	Group		Parent Company	
	2020	2019	2020	2019
Interest paid and received				
Interest received	759	1 512	499	290
Interest paid*	-2 085	-2 304	-6	-22
Total	-1 326	-792	493	268
Adjustment for non-cash items				
Depreciation, amortisation and impairment of assets	84 070	99 388	–	–
Unrealised exchange-rate differences	15 472	-5 641	10 001	-2 547
Revaluation fair value	-8 542	–	-8 542	–
Adjustment liability additional purchase price	-2 360	–	–	–
Equity compensation benefit	1 477	–	441	–
Received dividend from subsidiaries	–	–	–	-1 856
Other	1 667	2 679	186	-518
Total	91 784	96 426	2 086	-4 921
Sub-components of cash and cash equivalents				
Cash and bank balances	973 566	689 538	293 703	217 991
Total	973 566	689 538	293 703	217 991

* For the Group, including interest on leasing liabilities in accordance with IFRS 16 of SEK 1,920 thousand (2,238).

Vitrolife have no credit facilities.

Cash and cash equivalents not used in daily operations is invested in accordance with Vitrolife's financial policy, refer to Note 2. No active asset management was carried out in 2020.

Note 20 Shareholders' equity

Accounting policies

Transaction expenses that are directly attributable to the issue of new common shares or options are recognised, net after tax, in shareholders' equity as a deduction from the proceeds.

Share capital

Only one class of shares exists and all shares carry the same rights. In May 2018 a share split 5:1 was carried out in line with the resolution adopted at the Annual

General Meeting. The number of outstanding shares increased from 21,710,115 to 108,550,575. The number of outstanding shares in the Parent Company amounted to 108,550,575 as of 31 December 2020.

Other capital contributed

Pertains to shareholders' equity contributed by the owners. This includes shares in share premium reserves transferred to the statutory reserve as of 31 December 2005. Provisions made to the share premium reserve from 1 January 2006 and onward are recognised as contributed capital.

Translation reserve

The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than the presentation currency in the consolidated financial statements. The Parent Company and Group present their financial statements in SEK.

Accumulated exchange-rate differences in shareholders' equity

	Group	
	2020	2019
Opening balance	56 915	46 272
Exchange-rate differences in foreign subsidiaries	-59 103	10 643
Closing balance	-2 188	56 915

The disclosure requirement in Chapter 5, section 14 of the Annual Accounts Act regarding the specification of year-on-year changes in shareholders' equity in the balance sheet are detailed on page 46.

Under the dividend policy for Vitrolife AB (publ), each year, a dividend, or some other form of distribution equal to 30% of net profit for the year after taxes, should be proposed. Thus, in accordance with the above, the Board and CEO intend to propose that the AGM resolve in favour of a dividend of SEK 0.80 per share for 2020, corresponding to a total of SEK 87 million. The dividend will be presented to the Annual General Meeting on 28 April 2021 for adoption.

Retained earnings including income for the year

Retained earnings including income for the year comprises profits earned by the Parent Company and its subsidiaries.

Proposed appropriation of profit

The Board of Directors and the CEO propose that the funds available of SEK 759,627,480, be appropriated as follows:

SEK	
Dividend (SEK 0.80)	86 840 460
Carried forwards	672 787 020
Total	759 627 480

Capital management

The capital managed by the Group comprises shareholders' equity. The Group's objective with its capital management is to enable continued high growth, both organic and through acquisitions. The Group's net debt should normally not exceed a multiple of three times EBITDA. Profitable growth is an objective of Vitrolife's Board. Vitrolife's growth target over a three-year period is sales growth of an average of 20% per year, with an operating margin before depreciation, amortisation and impairment (EBITDA) of 30%.

Note 21 Earnings per share

Accounting policies

The calculation of earnings per share is based on income for the year in the Group attributable to the Parent Company's shareholders and the weighted average number of shares outstanding during the year.

Earnings per share

In 2020, the average number of shares outstanding was 108,550,575 (108,550,575). Income for the year attributable to the Parent Company's shareholders was SEK 286,845 thousand (382,785) resulted in earnings per share of SEK 2.64 (3.53), which is both before and after dilution.

Note 22 Interest-bearing liabilities

Accounting policies

Borrowings are initially recognised at fair value, net, after transaction costs and, subsequently, at amortised cost. Any difference between the amount received and the amount to be repaid is recognised in profit or loss over the loan period by applying the effective interest method. Historically, the company has had loans with floating rates and therefore the fair value is assessed as essentially corresponding with the carrying amount. Borrowings are classified as interest-bearing

long-term or current liabilities in the balance sheet. As from 1 January 2019, the new accounting standard IFRS 16 came into force, meaning that Vitrolife reports interest-bearing long-term and short-term liabilities related to leasing agreements. For further information regarding the accounting policies related to leasing, see Note 26.

	Group		Parent Company	
	2020	2019	2020	2019
Long-term portion, bank loans	–	–	–	–
Long-term portion, interest-bearing liabilities related to leasing agreements	48 810	61 213	–	–
Current portion, bank loans	–	–	–	–
Current portion, interest-bearing liabilities related to leasing agreements	13 593	14 632	–	–
Total	62 403	75 845	–	–
Maturity date				
In 1–5 years	27 990	40 308	–	–
> 5 years	20 820	20 905	–	–
Total	48 810	61 213	–	–

In 2020, Vitrolife did not have any external bank loans.

Refer to Note 2 for loan terms and conditions, and other contractual conditions. Refer to Note 28 for pledged assets and contingent liabilities.

Note 23 Other provisions

Accounting policies

A provision is recognised in the balance sheet when the Group has an existing legal or informal obligation as a result of an event that has occurred, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the effect of when payment occurs is significant, provisions are calculated by discounting expected future cash flows using an interest rate before tax that reflects current market assessments of the monetary value over time and, if appropriate, the risks associated with the obligation.

	Group		Parent Company	
	2020	2019	2020	2019
Pension obligations	20 554	14 524	8 845	6 570
Warranties	949	2 095	–	–
Total	21 503	16 619	8 845	6 570

Note 24 Accrued expenses and deferred income

	Group		Parent Company	
	2020	2019	2020	2019
Accrued personnel costs	63 998	71 904	4 530	7 696
Audits and consultancy services	724	505	478	38
Annual report	298	228	228	228
Other taxes abroad	772	584	–	–
Commission	4 917	5 272	–	–
Other accrued expenses	6 743	7 737	364	26
Deferred income	26 558	23 915	–	–
Total	104 012	110 145	5 600	7 988

Note 25 Financial instruments

Accounting policies

Financial instruments recognised in the balance sheet include the following assets and liabilities: cash and cash equivalents, accounts receivable, other receivables, other financial fixed assets, accounts payable, other liabilities, loan payables and share of provisions.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are included in the balance sheet when an invoice has been issued. Accounts payable are included when an invoice has been received.

A financial asset is derecognised from the balance sheet when the contractual rights to the asset are realised, expired or the company loses control over them. The same applies to a portion of a financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished. The same applies to a portion of a

financial liability. Acquisitions and sales of financial assets are recognised at the transaction date, which is the date when the company commits to acquire or sell the asset, except where the company acquires or divests listed securities in which case settlement date accounting is applied.

Fair value

Fair value has been calculated for all financial assets and liabilities in accordance with IFRS 13.

Assets and liabilities valued at amortised cost

Fair value of other financial fixed assets, accounts receivable and other receivables, other current receivables, cash and cash equivalents, accounts payable and other liabilities as well as interest-bearing borrowings is estimated to correspond with their carrying amounts (amortised cost). Historically, the company has had loans with floating rates and therefore the fair value is assessed as essentially corresponding with the carrying amount.

Financial assets and liabilities measured at fair value in profit or loss

Classified in level 3 are financial assets, which relate to unlisted shares, and have been valued based on latest material transactions. Hence, fair value is estimated to be equal to book value. During the year the valuation of a non-listed shareholding generated an impact of SEK 8,916 thousand (-) on the income statement in conjunction with a new share issue in the company. Vitrolife did not participate in this new share issue. This effect is reported among financial items. Classified in level 3 are also liabilities which relate to additional purchase prices, for which fair value have been estimated in cases where the time for effectiveness can be determined with certainty and the effect on Group level is material. Calculation is performed by future expected payments being discounted by current market rates for the duration of the liability. The measurement of fair value for financial liabilities in level 3 has during the period generated an effect on the income statement of SEK -374 thousand (-390). This effect is reported among financial items.

Assets as per balance sheet

	Assets measured at amortised cost		Financial assets at fair value in profit or loss	
	2020	2019	2020	2019
Other shares and participations	-	-	14 662	5 746
Other financial fixed assets	24 798	26 928	-	-
Accounts receivable	216 494	233 321	-	-
Other receivables	242	39	-	-
Cash and cash equivalents	973 566	689 538	-	-
Total	1 215 100	949 826	14 662	5 746

Liabilities as per balance sheet

	Liabilities measured at amortised cost		Financial liabilities at fair value in profit or loss	
	2020	2019	2020	2019
Non-interest bearing long-term liabilities	16 377	24 741	8 161	8 860
Accounts payable	25 922	29 314	-	-
Other liabilities	3 327	-	-	-
Accrued expenses and deferred income	15 876	13 355	-	-
Total	61 502	67 410	8 161	8 860

Parent Company

Financial assets and liabilities totalled SEK 1,093.6 million (1,016.1), and SEK 128.6 million (43.3) respectively. Based on future earning potential, no impairment has been deemed necessary for shares in subsidiaries. No forward covers were carried out for the currency components included in the above amounts.

Note 26 Leasing

Accounting policies

As from January 1, 2019 Vitrolife applies the accounting principles in IFRS 16, whereby a large number of the Group's leases are reported in the balance sheet as right-of-use assets and corresponding lease liabilities. Right-of-use assets are included in the row for "Tangible fixed assets" in the statement of financial position. Lease liabilities are valued at the present value of future lease payments discounted by the implicit interest of the lease if this can be easily determined. If not, the Group's incremental borrowing rate is used. The purpose of the incremental

borrowing rate is that it should reflect what a lessee would have needed to pay for financing via a loan for the same asset, for a corresponding period and with similar collateral. Vitrolife has a predetermined method for arriving at the incremental borrowing rate. The method comprises the type of asset, the duration of the agreements, the creditworthiness of the individual companies and the economic environment of the country where the company is located. As Vitrolife does not have any external loans and few intra-Group loans, the incremental borrowing rate has been calculated using the following principle. Vitrolife uses the interest on government bonds in each country with a duration that matches the leases for each company. A risk premium is added to this interest on the government bond, which is set on the basis of the interest on previous external loans and the current interest rate on intra-Group loans. For other companies, Vitrolife has used an average interest rate based on previous external loans and intra-Group loans if these companies have a good financial position. The incremental borrowing rate is updated once per quarter for new and changed agreements. Exemption rules are applied in the form of lease liabilities with a duration of less than 12 months not being included as a right-of-use asset or lease liability, and the same applies to leases where the underlying value of the assets may be regarded as low pursuant to the definition set out in the standard.

Any extension options in leases are taken into consideration and in each individual case it is evaluated whether it is likely that the option will be exercised or not. Leases where it is assessed that extension options will be exercised concern the renting of premises. These represent 76% (73) of the total lease liabilities.

Reporting in the income statement is done through depreciation and interest expenses.

Leasing agreements

Vitrolife leases premises in Gothenburg, Sweden. Sterile rooms have been built and paid for by Vitrolife. The current lease agreement expires on 31 October 2023.

Vitrolife leases a property in Denver in the US. However, the modules that have since been added to the building and which contain production facilities, etc., are owned by the company. In addition, an adjacent building acquired in 2011 is also owned by the company. The current lease agreement expires on 1 May 2020.

Other significant leasing agreements for premises are the following:

	Lease expiry
Tokyo, Japan	31 Mar 2021
San Diego, USA	31 Oct 2024
Bruckberg, Germany	31 May 2021
Viby, Denmark	30 Apr 2023
Viby, Denmark	31 Oct 2022

Rental fees are linked to consumer price indices and vary in line with the market as a whole. Variable fees are invoiced on a one-for-one basis in arrears following annual reconciliation. No restrictions apply as a result of contracted leases. In those cases where leasehold improvements have been defrayed by Vitrolife, individual testing is applied regarding whether the costs should be capitalised or expensed.

Otherwise, Vitrolife has signed lease agreements for company cars and for some office equipment and tools.

In 2020, expensed leasing totalled SEK 1,952 thousand (3,436) and are mainly related to leasing agreements with a term shorter than 12 months or where the underlying asset meets the IFRS 16 definition of being low-value.

Amounts reported in the income statement	2020	2019
Depreciation right-of-use	-16 592	-14 440
Interest expenses on leasing liabilities	-1 920	-2 238
Costs related to short-term leasing agreements and low-value leasing agreements	-1 952	-3 436
Total	-20 464	-20 114

Total cash outflow from leasing agreements in 2020 amounted to SEK 18 million (17).

For presentation of the remaining maturity of leasing agreements, refer to Note 2. For carrying amounts right-of-use assets, refer to Note 15.

Note 27 Participations in Group companies

Participations in Group companies

	Parent Company	
	2020	2019
Opening cost	771 346	771 346
Shareholder contribution, Vitrolife Sweden AB	882	-
Shareholder contribution, Vitrolife A/S	147	-
Closing carrying amount	772 375	771 346

Company	Corp. Reg. No.	Domicile	Number of shares	Share, %*	Carrying amount 2020	Carrying amount 2019
Companies owned by Vitrolife AB:						
Vitrolife, Inc.	84-1547804	Denver and San Diego, USA	500 000	100	173 220	173 220
Vitrolife Sweden AB	556546-6298	Gothenburg, Sweden	5 000 000	100	179 267	178 386
Vitrolife Pty Ltd.	102959964	New South Wales, Australia	1	100	0	0
Vitrolife KK	0104-01-081049	Tokyo, Japan	200	100	850	850
Vitrolife Ltd.	04628698	Warwick, UK	1 025	100	11 935	11 935
A.T.S. Srl**	12758490150	Milan, Italy	n/a	70	6 760	6 760
HertArt Aps	32840787	Greve, Denmark	166 667	100	5 856	5 856
Vitrolife A/S	27 40 67 93	Aarhus, Denmark	374 120	100	338 756	338 609
Vitrolife GmbH	HRB 4525	Bruckberg, Germany	3	100	54 832	54 832
Vitrolife BV	0685.675.182	Londerzeel, Belgium	186	97,3***	181	181
Vitrolife (Beijing) Technical Service Co. Ltd.	91110105MA00H2AM9B	Beijing, China	1	100	717	717
Total					772 375	771 346

* Share of voting power is equal to share of ownership.

** Subsidiary with non-controlling interests is not deemed material enough to require financial information to be presented according to IFRS 12.

*** Remaining share of 2.7% is owned by Vitrolife Sweden AB.

Note 28 Pledged assets and contingent liabilities

Accounting policies

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required.

	Group		Parent Company	
	2020	2019	2020	2019
Pledged assets				
Floating charges	20 000	20 000	3 100	3 100
Endowment insurance	16 072	11 529	7 019	5 304
Total	36 072	31 529	10 119	8 404

Pledged assets pertain to floating charges for own commitments and collateral pledged for endowment insurance plans (cost).

	Group		Parent Company	
	2020	2019	2020	2019
Contingent liabilities				
Guarantee, Swedish Customs	673	673	–	–
Endowment insurance, difference between cost and market value	2 357	815	506	–
Guarantee for subsidiaries	–	–	5 544	6 107
Total	3 030	1 488	6 050	6 107

Note 29 Related parties

Related parties

The Parent Company has a close relationship with its subsidiaries, refer to Note 27. Of the Parent Company's total purchases and sales, 0 percent (0) of purchases and 100 percent (100) of sales pertain to intra-Group transactions. Internal pricing within the Group is set based on the arm's length principle, that is between parties that are independent, well-informed and with a vested interest in the transactions.

Transactions with other key individuals in senior positions

Board members of Vitrolife have not received any other remuneration in addition to the Board fees during 2020. For further information, refer to Note 8.

	2020	2019
Board members	2 010	2 039
Executive Management	23 308	28 141
Total	25 318	30 180

Note 30 Events after the closing date

The Board's proposal for dividend amounts to SEK 87 (-) million, corresponding to SEK 0.80 (-) per share.

After closing day Vitrolife received information that a civil lawsuit has been filed against Vitrolife in Germany by Ares Trading S.A. regarding claimed infringement of three patents in the time-lapse area. Vitrolife will dispute the lawsuit. Vitrolife is already involved in an appeal process regarding two of the three patents in question in the EU. Vitrolife has not included any provision for the lawsuit in the annual accounts as in Vitrolife's assessment there has been no infringement of any patent.

No other events have occurred after closing day that significantly impact the assessment of the financial information in this report.

Attestation

The Board of Directors and the CEO hereby give their assurance that the annual accounts have been prepared in accordance with generally accepted accounting principles and provide a fair representation of the Parent Company's position and performance, and that the Management Report provides a true and fair overview of the development of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed. The Board of Directors and the CEO hereby give their assurance that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and provide a fair representation of the Group's position and performance, and that the Management Report for the Group provides a true and fair overview of the development of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the Group is exposed.

Gothenburg, 24 March 2021

Jón Sigurdsson
Chairman of the Board

Henrik Blomquist
Board member

Lars Holmqvist
Board member

Pia Marions
Board member

Karen Lykke Sørensen
Board member

Thomas Axelsson
CEO

Our auditor's report was submitted on 24 March 2021

Deloitte AB

Harald Jagner
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Vitrolife AB (publ)
corporate identity number 556354-3452

This is a translation on the Swedish language original. In the event of any differences between this translation and the Swedish original the latter shall prevail.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Vitrolife AB (publ) for the financial year 2020 except for the corporate governance report on pages 36 - 39. The annual accounts and consolidated accounts of the company are included on pages 31-60 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not include the corporate governance report on pages 36-39. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and statements of financial position for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

Sales amounts to SEK 1 246 million as of 2020 and is generated from three divisions, of which the products are sold by four geographical market organizations. For further information regarding the consolidated revenue recognition is referred to notes 4 and 5 on the pages 50-51 in the annual report which sets out account principles, segment reporting and sales by divisions.

We focus on this area due to high transaction volumes and different sales conditions, which can affect the timing of the risk transition.

Our audit procedures

Our audit procedures included, but were not limited to:

- Evaluate the revenue recognition policies in accordance with IFRS 15 to assess whether these were appropriately designed to account for revenue in the correct period and with the correct amount;
- Evaluate the design of the company's routines and relevant internal controls for revenue recognition;
- Through data analytics and on a sample basis, test sales transaction to assess whether revenue has been recorded correctly and completely in the correct period;
- Determine that required and accurate disclosures are provided in relevant notes in the annual report.

Valuation of goodwill

Goodwill amounts to SEK 403 million as of 31 December 2020 and is related to acquisitions.

We focus on the impairment assessment above as the book value of goodwill is material and since significant judgments and estimates are made when assessing the potential risk of impairment of goodwill. For further information, accounting principles are disclosed in note 3 and note 14 on page 50 and 54-55 in the annual report which outlines critical estimates and judgments, account principles and intangible assets.

Our audit procedures

Our audit procedures included, but were not limited to:

- Evaluate the design of the company's routines and relevant internal controls for impairment testing of goodwill;
- Test the reasonableness of assumptions made, assess that the valuation model is consistently applied, test integrity in input data which the calculations are based upon, and test the arithmetic accuracy of the valuation model;
- Evaluate the reasonableness of identified cash-generating units;
- Our valuation specialists have been involved in some of the audit procedures;
- Determine that required and accurate disclosures are provided in relevant notes in the annual report.

Other information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for other information. The other information includes the Remuneration report, and the pages 1-30 and 64-68 in this document which does not include the annual accounts and consolidated accounts or our Auditors report.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Vitrolife AB (publ) for the financial year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor's report.

Deloitte AB, was appointed auditor of Vitrolife AB by the general meeting of the shareholders on the 15 June 2020 and has been the company's auditor since 5 May 2014.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 36-39 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg 24 March 2021

Deloitte AB

Signature on Swedish original

Harald Jagner
Authorized public accountant

KEY RATIOS DEFINITIONS

This report includes certain key ratios not defined in IFRS, but they are included in the report as company management considers that this information makes it easier for investors to analyse the Group's financial performance and position. Investors should regard these alternative key ratios as complementing rather than replacing financial information in accordance with IFRS. Please note that Vitrolife's definitions of these key ratios may differ from other companies' definitions of the same terms.

A list of definitions is found below of the key ratios that are used, referred to and presented in the financial reports. Measures that can be found directly in the financial reports and can be calculated on the basis of the definitions below have not been included in the coming tables.

PROFIT AND YIELD MEASUREMENTS

Gross income

Definition: Net sales minus the cost of goods sold.

Purpose: This measure shows the group's result before affecting of costs such as selling and administrative expenses.

Gross margin, %

Definition: Gross income in relation to net sales for the period.

Operating income (EBIT)

Definition: Net sales minus all costs attributable to operations including depreciation, amortisation and impairment of tangible and intangible fixed assets but excluding net financial items and tax.

Purpose: This is used to measure operational profitability and the Group's target achievement.

Operating margin (EBIT), %

Definition: Operating income (EBIT), in relation to net sales for the period.

Operating income before depreciation, amortisation and impairment (EBITDA)

Definition: Operating income before depreciation, amortisation and impairment of tangible and intangible fixed assets.

Purpose: This is used to measure result from operating activities independent of depreciation and amortisation. The company aims to achieve growth while maintaining profitability, where profitability is followed up through operating income before depreciation, amortisation and impairment (EBITDA).

Operating margin before depreciation, amortisation and impairment (EBITDA), %

Definition: Operating income before depreciation, amortisation and impairment of tangible and intangible fixed assets in relation to net sales for the period.

Adjusted gross and operating income

Definition: Gross and operating income before amortisation of surplus values related to acquisitions.

Purpose: As Vitrolife's gross and operating income is significantly impacted by the amortisation of surplus values related to the acquisitions that the company has carried out, it is management's assessment that it is appropriate to illustrate the Group's profitability and earning capacity by presenting gross and operating income adjusted for amortisation of these surplus values.

Adjusted gross and operating margin, %

Definition: Adjusted gross and operating income in relation to net sales for the period.

Return on equity

Definition: Net income for a rolling 12 months in relation to average shareholders' equity for the period. (Average is calculated on last four reported quarters).

Purpose: It is Vitrolife's assessment that return on equity is an appropriate measure to illustrate to stakeholders how well the Group invests its equity.

SEK M	Dec 31. 2020	Dec 31. 2019
Average shareholders' equity, rolling 12 month	1 943.8	1 678.0
Net income, rolling 12 month	286.8	382.8
Return on equity, %	14.8	22.8

CAPITAL MEASUREMENTS

Net debt

Definition: Short- and long-term interest-bearing liabilities, adjusted for IFRS 16 effect, minus interest-bearing receivables minus cash and cash equivalents.

Purpose: One of Vitrolife's financial objectives is to have a strong financial capital base to enable continued high growth, both organic and through acquisitions. In conjunction to the entry into force of IFRS 16 on January 1, 2019, the key ratio definition has been reformulated as financial liabilities related to leasing agreements are not included in the calculation of the net debt.

Net debt / EBITDA rolling 12 months

Definition: Net debt in relation to EBITDA rolling 12 months.

Purpose: One of Vitrolife's financial objectives is to have a strong financial capital base to enable continued high growth, both organic and through acquisitions. In relation to this, Group management follows up the ratio of net debt in relation to rolling 12-month operating income before depreciation, amortisation and impairment (EBITDA). According to Vitrolife's financial objectives, this ratio should normally not exceed three times. Management assesses that this ratio gives creditors and investors important information concerning the Group's attitude to debt.

SEK M	Dec 31. 2020	Dec 31. 2019
Long-term interest-bearing leasing liabilities	48.8	61.2
Short-term interest-bearing leasing liabilities	13.6	14.6
Adjustment of interest-bearing liabilities related to leasing agreements	-62.4	-75.8
Cash and cash equivalents	-973.6	-689.5
Net debt	-973.6	-689.5
Operating profit, rolling 12 month	370.0	487.9
Depreciation, amortisation and impairment, rolling 12 month	84.1	99.4
Rolling 12 month EBITDA	454.1	587.3
Net debt / Rolling 12 month EBITDA	-2.1	-1.2

* The Group has no other interest-bearing liabilities other than related to leasing liabilities.

Equity/assets ratio %

Definition: Shareholders' equity and minority interest in relation to total assets.

Purpose: The ratio shows the proportion of the Company's total assets financed by shareholders' equity. A high equity/assets ratio is a measure of financial strength and is used to measure target achievement.

Working capital

Definition: Current assets excluding cash and cash equivalents minus current non-interest-bearing liabilities.

Purpose: This measure is used to show how much capital is needed to finance current business operations.

SHARE-RELATED MEASUREMENTS

Cash flow from operating activities per share

Definition: Cash flow for the period from current business operations divided by the average number of shares outstanding for the period.

Purpose: This measure is used to show the cash flow generated by the company's current business operations per share.

Shareholders' equity per share

Definition: Equity divided by the number of shares outstanding on closing day.

Purpose: This measure shows the company's net value per share and determines whether a company increases shareholders' net worth over time.

Earnings per share (Defined by IFRS)

Definition: Income for the period attributable to Vitrolife's shareholders in relation to the average number of outstanding shares for the period. For reconciliation, refer to Note 21 Earnings per share.

Price per Earnings

Definition: Price per share in relation to earnings per share

Purpose: The ratio shows how the profit for the period relates to the price of the shares.

OTHER MEASURES

Organic growth

Definition: Organic growth is sales growth from existing business operations adjusted for acquisitions and divestments. An acquisition or a sale is only included in the calculation of organic growth when it is included for an equal number of months in the present period and the corresponding period the previous year. Otherwise it is included in the calculation of acquired growth.

Purpose: Organic growth excludes the effects of changes in the Group's structure, thus enabling a comparison of net sales over time.

Net sales growth in local currency

Definition: Growth in local currencies is sales growth adjusted for currency effects, which is calculated as sales for the period in local currencies recalculated at a predetermined exchange rate in relation to the corresponding period the previous year in local currencies recalculated at the same exchange rate.

Purpose: As a large part of Vitrolife's sales are in other currencies than the reporting currency of SEK, sales are not only impacted by actual growth, but also by currency effects. To analyse sales adjusted for currency effects, the key ratio of sales growth in local currency is used.

The percentage effects in the following tables are calculated by each amount in SEK millions in relation to net sales in the same period previous year.

Group total	2020	2019
Organic growth in local currency, SEK M	-193	135
Organic growth in local currency, %	-13	12
Acquired growth, SEK M	-	116
Acquired growth, %	-	10
Currency effects, SEK M	-42	78
Currency effects, %	-3	6
Total growth, SEK M	-235	329
Total growth, %	-16	29

Net sales per geographic segment	North and South America			
	EMEA	North and South America	Asia	Japan & Pacific
	2020	2020	2020	2020
Growth in local currency, SEK M	-51	-46	-78	-19
Growth in local currency, %	-9	-17	-22	-8
Currency effects, SEK M	-12	-12	-10	-7
Currency effects, %	-2	-3	-2	-3
Total growth, SEK M	-63	-58	-88	-26
Total growth, %	-11	-20	-24	-11

Net sales per division	Consumables			Technology		Genomics	
	2020	2020	2020	2020	2020	2020	2020
Growth in local currency, SEK M	-67	-111	-12				
Growth in local currency, %	-8	-23	-10				
Currency effects, SEK M	-22	-16	-5				
Currency effects, %	-2	-2	-4				
Total growth, SEK M	-89	-127	-17				
Total growth, %	-10	-25	-14				

Rolling 12 months

Definition: Key ratios calculated from rolling 12-month values have been calculated from the past four rolling interim reports and accounts.

Purpose: Rolling 12 months gives a clearer picture of sales or profitability and a fairer picture of a key ratio's development.

GLOSSARY AND SHAREHOLDER INFORMATION

The following explanations are intended to help the reader to understand certain specific terms and expressions in Vitrolife's annual report:

Biological quality tests: Using biological systems (living cells, organs or animals) to test how well a product or input material functions in relation to a requirement specification.

Biopsy: Removal of one or several cells from living tissue for diagnostic evaluation.

Biotechnology: Combination of biology and technology, which primarily means using cells or components from cells (such as enzymes or DNA) in technical applications.

Blastocyst: An embryo at days 5-7 after fertilisation. Cell division has gone so far that the first cell differentiation has taken place and the embryo consists of two different types of cells.

Cell therapy: Describes the process when new cells are added to tissue in order to treat a disorder.

Clinical study/trial: An investigation in healthy or sick people in order to study the effect of a pharmaceutical or treatment method.

Embryo: A fertilized and cell divided egg.

In vitro (Latin "in glass"): A process that has been taken out from a cell to take place in an artificial environment instead, for example in a test tube.

In vivo: Biological processes in living cells and tissue when they are in their natural place in whole organisms.

Incubator: Equipment for the culture of embryos in a controlled environment.

IUI - Intra-Uterine Insemination ("artificial insemination"): A high concentration of active sperms is injected in order to increase the chance of pregnancy.

IVF - In Vitro Fertilisation: Fertilisation between the woman's and the man's sex cells and cultivation of embryos outside the body.

Medical devices: Comprise devices used to make a diagnosis of a disease, treat a disease and for rehabilitation.

PGT-A: Preimplantation genetic testing for aneuploidy (PGT-A), also called preimplantation genetic screening (PGS), is a test for chromosome copy number that can be used during IVF to help determine the chromosomal status of an embryo from a biopsy of one or more cells. The result of PGT-A aid in the selection of an embryo likely to have a normal number of chromosomes (euploid) for transfer to the woman and help avoid those with abnormal copy number (aneuploid) that may result in IVF failure or miscarriage.

PGT-M: Preimplantation genetic testing for monogenic and single gene defects (PGT-M), also called preimplantation genetic diagnosis (PGD), is a test to find specific hereditary genetic diseases that are caused by a single defective gene. This test is used for couples who have a genetic mutation that can cause a genetic disease where the couple want to be sure that their child will not carry this disease.

Preclinical study: Research that is done before a pharmaceutical or a treatment method is sufficiently documented to be studied on human, for example testing of substances on tissue samples and later testing on experimental animals.

Stem cells: Non-specialized cells to be found in all multi-cell organisms. Have the ability to mature (differentiate) into several cell types. Are usually divided up into three groups: adult stem cells (in the fully grown individual), embryonic stem cells and stem cells from the umbilical cord. In the developing embryo stem cells give rise to all tissue in the fetus-to-be. In adult individuals stem cells constitute a repair system to replace damaged cells. As stem cells have the potential to mature into specialized cell types, there are great hopes regarding their medical role.

Time-lapse: Technology for supervision of embryos. Pictures of the development of the embryo are taken in short time interval, then played as a film and analyzed.

Vitrification: Process for converting a material to a glasslike solid state, for example through rapid freezing, in this case rapid freezing of eggs and embryos, in order to be able to carry out IVF on a later occasion.

ANNUAL GENERAL MEETING 2021

The AGM of Vitrolife AB (publ) will be held on Wednesday, 28 April 2021. The meeting will be carried out through advance voting (postal voting) pursuant to temporary legislation.

DISTRIBUTION OF THE ANNUAL REPORT

Vitrolife's annual report is available in Swedish and English. The annual reports can be downloaded at www.vitrolife.com, where printed versions can also be ordered.

The printed version of the annual report will be sent by post to those shareholders and stakeholders who request it.

2021 REPORTING CALENDAR

January-March Interim Report,
Thursday 22 April
January-June Interim Report,
Thursday 15 July
January-September Interim Report,
Friday 29 October

INVESTOR RELATIONS

Mikael Engblom, CFO
Tel: +46 (0)31-721 80 14
E-mail: mengblom@vitrolife.com

AUDITORS

The company's auditor is Deloitte AB. Principal Auditor is Authorised Public Accountant Harald Jagner (1971). Harald Jagner has been engaged as Vitrolife's auditor since 2020.

Deloitte AB
Street address:
Södra Hamngatan 53
SE-411 06 Gothenburg
Tel: +46 (0)75-246 43 00

ADDRESSES

Vitrolife AB (publ)
Vitrolife Sweden AB
Box 9080
SE-400 92 Göteborg
Sweden
Tel +46 31 721 80 00
Fax+46 31 721 80 99

A.T.S. Srl
Via Pistrucchi, 26
IT-20137 Milano
Italy
Tel +39 02 541 22100
Fax+39 02 541 22100

HertArt ApS
Korskildelund 6
DK-2670 Greve
Denmark
Tel +46 31 721 80 15
Fax+46 31 721 80 99

Vitrolife A/S
Jens Juuls Vej 20
DK-8260 Viby J
Denmark
Tel +45 7221 7900
Fax+45 7221 7901

Vitrolife BV
Zwaluwstraat 113
BE-1840 Londerzeel
Belgium
Tel +32 2588 2468
Fax +32 2588 2469

Vitrolife GmbH
Dr.-Pauling-Str. 9
DE-84079 Bruckberg
Germany
Tel +49 8765 939 900
Fax+49 8765 939 9070

Vitrolife, Inc.
3601 South Inca Street
Englewood , CO 80110
USA
Tel +1 303 762 1933
Fax+1 303 781 5615

6835 Flanders Drive
Suite 500
San Diego, CA 92121
USA
Tel +1 858 824 0888
Fax+1 858 824 0891

Vitrolife K.K.
Ruyen Building 2F
1-3-1 Shibakoen, Minato-ku
Tokyo 105-0011
Japan
Tel +81 3-6459-4437
Fax+81 3-6459-4539

Vitrolife Ltd.
1 Chapel Street
Warwick
CV34 4HL
UK
Tel +44 800 032 0013
Fax+44 800 032 0014

Vitrolife Pty Ltd.
Level 10, 68 Pitt Street
Sydney, NSW 2000
Australia
Tel +61 3 8844 4878
Fax +61 3 8844 4879

Vitrolife SAS
43 Rue de Liège
FR-75 008 Paris
France
Tel +33 1 82 880 860
Fax +33 1 82 880 855

Vitrolife Sweden AB
Beijing Representative Office
A-2005 Focus Square
No. 6 Futong East Avenue
Chaoyang District
Beijing, 100102
China
Tel +86 010 6403 6613
Fax+86 010 6403 6613

Vitrolife (Beijing) Technical
Service Co. Ltd.
A-2006 Focus Square
No. 6 Futong East Avenue
Chaoyang District
Beijing, 100102
China
Tel +86 010 6403 6613
Fax +86 010 6403 6613

**TOGETHER.
ALL THE WAY™**